

*How to read the stock market*  
(Page 108)

INDEX

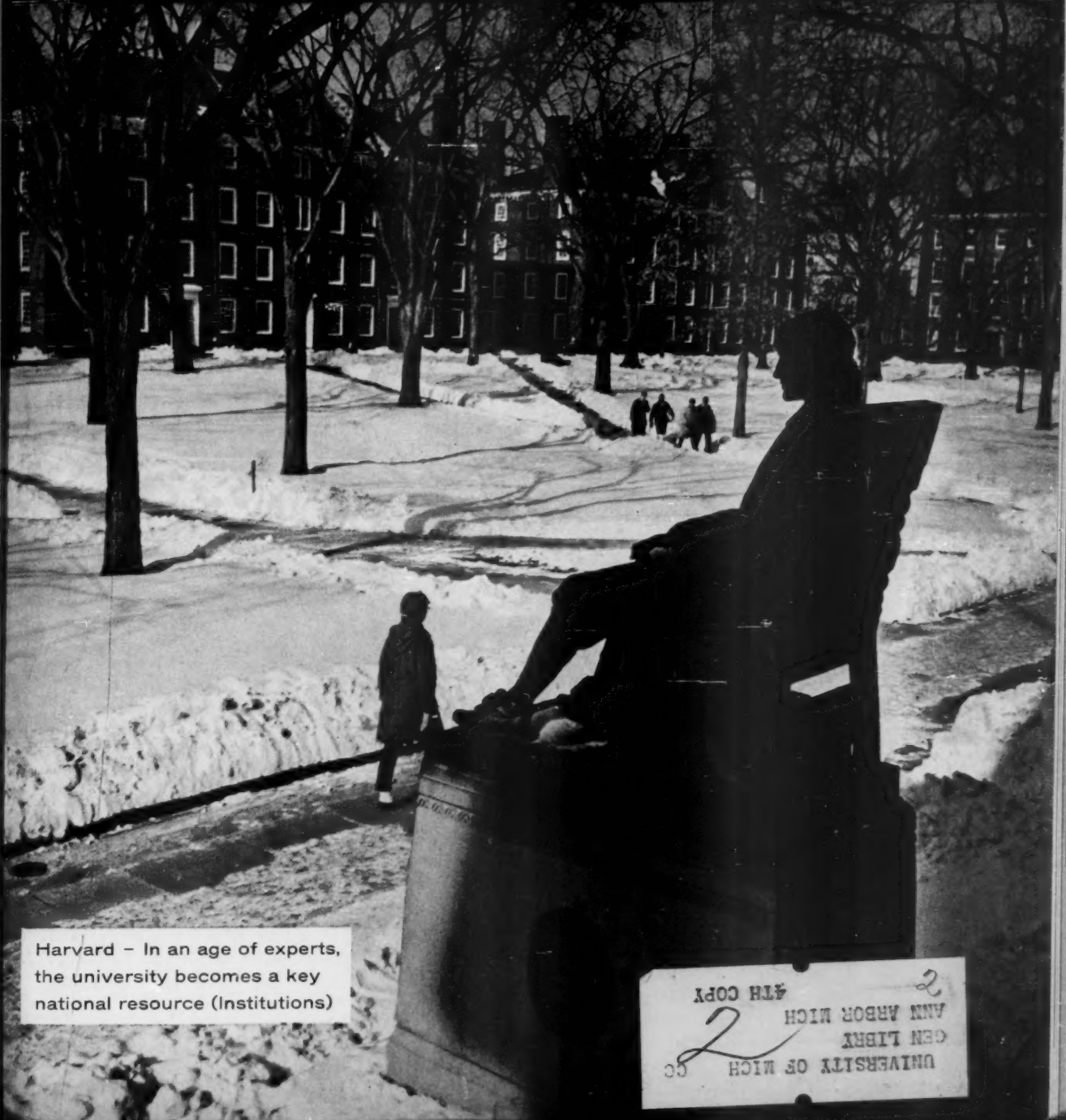
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# BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

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MARCH 11, 1961



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## GENERAL BUSINESS

	Page
BUSINESS OUTLOOK	19
WASHINGTON OUTLOOK	41
INTERNATIONAL OUTLOOK	103
PERSONAL BUSINESS	125
THE TREND	144
FIGURES OF THE WEEK	2
READERS REPORT	5

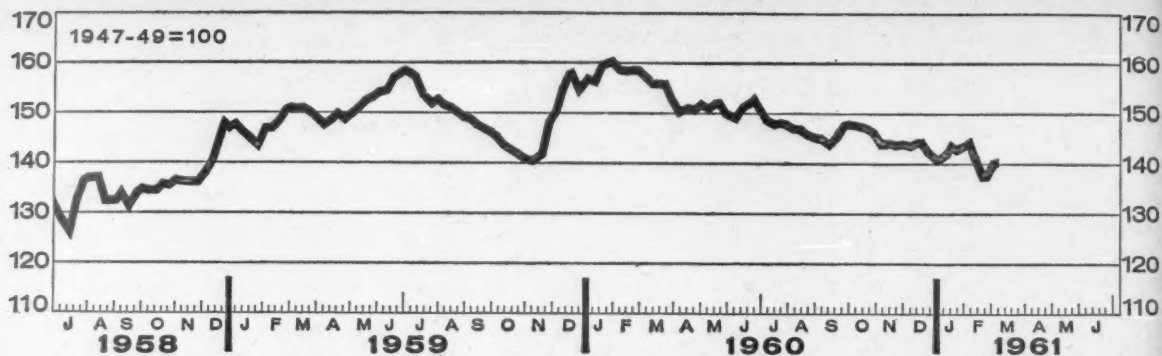
<b>BRIGHTENING SKY FOR AUTO SALES.</b> With a sales pickup in January and February, dealers are beginning to express a mild optimism.....	25
<b>ANOTHER CHANCE AT DEFENSE CONTRACTS.</b> Reappraisal of defense policy means more spending for conventional arms and equipment.....	26
<b>NOT MUCH FUR TRADING BUT LOTS OF FUN.</b> That's Alaska's annual Fur Rendezvous, which winds up the winter.....	28
<b>BRITAIN GETS BIGGEST PRESS GIANT.</b> Merger creating \$280-million newspaper-magazine empire grows out of tightening press competition.....	30
<b>HOPEFUL TURN IN RETAIL SALES.</b> With department store sales topping 1960 for two weeks straight, some see first signs of a general business upturn....	31
<b>CONGRESS GETS FORECAST OF UPTURN BY MIDYEAR.</b> .....	32
<b>THE REVALUED MARK: WILL SMALL BOOST BE ENOUGH?</b> West Germany's currency change may be too modest to have much effect on its trade.....	34
<b>A Milder Dip Than Expected.</b> The SEC-Commerce survey of capital spending shows a drop of only 3% below 1960 plans. In the 1958 recession, outlays dipped 17% in one year.....	36
<b>IN BUSINESS.</b> Soap antitrust suit dismissed; race pact reached in Atlanta; new AT&T company in Pacific Northwest; court hits Pan Am's holdings in Panagra.	38

## THE DEPARTMENTS

<b>BUSINESS ABROAD:</b>	<b>In Business Abroad</b> .....	90
	<b>Lockheed Strategy Wins European Plum.</b> Three-year drive aimed first at West Germany ends up with four-nation contract and production setup for fighter plane.	94
<b>FINANCE:</b>	<b>A Pattern Begins to Take Shape.</b> More mergers are traceable to the cash surpluses of companies, as well as to the desire to diversify.....	47 ✓
	<b>Triple Blow at Bank Mergers.</b> Justice Dept. attacks three proposals in court....	52
<b>GOVERNMENT:</b>	<b>Clash Over Radio Use of Space.</b> Giant companies are vying for the chance to set up the one commercial communications system based on use of satellites.....	117
	<b>Housing Aid for Special Groups</b> .....	117
	<b>Equal Job Rights.</b> Kennedy tightens anti-discrimination clause in government contracts and sets up new group to enforce compliance.....	120
<b>INSTITUTIONS:</b>	<b>What Is It That Makes Harvard Important Now</b> .....	128
<b>LABOR:</b>	<b>Teamsters Get Out From Under.</b> Surveillance by court-appointed monitors is ended, and the union can be more aggressive.....	77 ✓
	<b>Labor Pattern.</b> Big impact of craft strikes.....	80 ✓
	<b>In Labor</b> .....	82
<b>MANAGEMENT:</b>	<b>In Management</b> .....	139
	<b>Mixed Feelings on Both Sides.</b> Survey rounds up the complaints company managers make about management consultants and vice versa.....	141
<b>MARKETING:</b>	<b>Color TV—Moving, But Slowly.</b> The industry sees some signs that this may be the year for the breakthrough.....	87
	<b>Oil Giant's Goal.</b> Phillips Petroleum's invasion of Maryland is another step toward a national market.....	88
<b>THE MARKETS:</b>	<b>Which Stock Market Chart Do You Read?</b> A comparison of the indexes that the theorists swear by in reading the market trends.....	108
	<b>Wall Street Talks</b> .....	112
	<b>In the Markets</b> .....	115
<b>NEW PRODUCTS:</b>	<b>Hoses Replace Transmission.</b> New York Air Brake Co. has started producing a new kind of transmission for materials handling, construction, farm vehicles.....	75
<b>PRODUCTION:</b>	<b>Bake-It-Yourself Trick Is Hot Item in Plastics.</b> German process produces everything from "baked" masterpieces to molded boat hulls.....	64
	<b>In Production</b> .....	70
<b>RESEARCH:</b>	<b>Wanted: A Vaccine to Stamp Out Hepatitis.</b> So far, there is no cure, and the disease is on the upswing again.....	56
	<b>In Research</b> .....	58



# FIGURES of the WEEK



## BUSINESS WEEK INDEX (chart) . . . . .

### PRODUCTION

	1953-55 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
Steel ingot (thous. of tons).....	2,032	2,645	1,492	1,582r	1,580
Automobiles.....	125,553	138,513	100,589	100,331r	91,655
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$62,619	\$52,595	\$64,490	\$68,052
Electric power (millions of kilowatt-hours).....	10,819	14,262	15,072	14,239	14,226
Crude oil and condensate (daily av., thous. of bbls.).....	6,536	7,153	7,136	7,207	7,241
Bituminous coal (daily av., thous. of tons).....	1,455	1,416	1,171	1,222r	1,096
Paperboard (tons).....	247,488	330,475	313,152	305,151	316,648

### TRADE

Carloadings: miscellaneous and l.c.l. (daily av., thous. of cars).....	70	55	46	49	51
Carloadings: all others (daily av., thous. of cars).....	47	37	33	35	34
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	110	103	115	122
Business failures (Dun & Bradstreet, number).....	198	299	368	348	408

### PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	91.6	88.0	90.1	91.3
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	73.3	78.7	78.9	77.8
Print cloth (spot and nearby, yd.).....	19.8¢	22.2¢	17.4¢	17.6¢	17.5¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.8	186.2	186.2	186.2
Scrap steel composite (Iron Age, ton).....	\$36.10	\$33.83	\$32.50	\$34.50	\$35.83
Copper (electrolytic, delivered price, E&MJ, lb.).....	32.39¢	33.02¢	29.00¢	29.00¢	29.00¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	26.0¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	††	25.02¢	22.9¢	22.6¢	22.9¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$2.12	\$2.06	\$2.06	\$2.05
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	32.05¢	30.24¢	30.71¢	30.92¢
Wool tops (Boston, lb.).....	\$1.96	\$1.75	\$1.69	\$1.65	\$1.65

### FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	54.17	62.03	63.12	63.75
Medium grade corporate bond yield (Baa issue, Moody's).....	3.59%	5.29%	5.08%	5.04%	5.03%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	4¾%	2¾%	3½%	3½%

### BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††	59,536	60,686	59,389	59,255
Total loans and investments, reporting member banks.....	††	101,572	109,651	109,213	109,635
Commercial, industrial, and agricultural loans, reporting member banks....	††	31,216	32,155	32,331	32,389
U. S. Gov't guaranteed obligations held, reporting member banks.....	††	25,325	30,712	30,310	30,265
Total Federal reserve credit outstanding.....	26,424	27,102	27,853	28,232	28,109
Gold stock.....	21,879	19,420	17,436	17,372	17,373

### MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month
Employment (in millions).....February.....	62.2	64.5	64.5	64.7
Unemployment (in millions).....February.....	2.5	3.9	5.4	5.7
Consumer credit outstanding (in billions).....January.....	\$34.1	\$51.5	\$56.0	\$55.0
Installment credit outstanding (in billions).....January.....	\$24.2	\$39.7	\$43.3	\$42.8
Wholesalers' inventories (seasonally adjusted, in billions).....January.....	\$10.6	\$12.7	\$13.2	\$13.2
Retailers' inventories (seasonally adjusted, in billions).....January.....	\$21.4	\$24.5	\$25.5	\$25.2
Cost of living (U. S. Dept. of Labor BLS, 1947-49 = 100).....January.....	114.6	125.4	127.5	127.4

\* Preliminary, week ended March 4, 1961.

†† Not available. Series revised.

\* Revised.

§ Date for 'Latest Week' on each series on request.

THE PICTURES—The Cover—George Woodruff; 26—Joan Sydlow; 28-29—Ted Bronstein; 30—Pictorial Parade; 34—Pictorial Parade; 64-65—Mike Shea; 75—John Conner; 77—WW; 94-95—(left) Leonard Nadel, (right) Lockheed; 128, 130, 132, 134, 136—George Woodruff; 141—Al Hormel.



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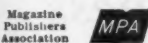
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## READERS REPORT

### Stamp of Approval

Dear Sir:

I am very grateful for your objective and timely article on First Day Cover Collecting [BW—Feb. 11'61,p32], because this hobby is the most suitable for any "tired" businessman and executive. I consider this hobby educational, easy on the nerves, and not expensive, because the investment in due time appreciates considerably.

For the worldwide fraternity of readers of BUSINESS WEEK I have a sincere welcome to our American First Day Cover Society, which is devoted to the advancement of "First Day Issue" collecting. May I suggest to would-be collectors they start with the new 7¢ red airmail embossed envelope 2C34. This beautifully cacheted cover was issued in less than 200,000 copies (to compare with the average of over a million of other issues), in our fair city of roses—Portland, Ore., on Aug. 18, 1960.

JOHN MARTIN

E. I. HAGEN & CO.  
 PORTLAND, ORE.

### One Less Freedom?

Dear Sir:

Your editorial blessing of the Administration's health insurance plan [BW—Feb. 18'61,p136] is totally lacking in the clear thinking customarily found in your pages.

Further government intervention into still another sector of our lives means, above all else, further nullification of our freedoms. If, as you suggest, the President's program is actuarially sound (an accolade that most certainly cannot be given to the balance of the Social Security System!) the question immediately pops up, "Why haven't the tax-fearing insurance companies taken it over?"

Government health insurance means nothing save another personal responsibility shoved off on the shoulders of the great White Father in Washington; another yoke around the neck of the next generation; another increase in taxes; another freedom of choice gone forever; another step toward socialism.

Will we never learn that "there ain't no such thing as a free lunch"?

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# BUSINESS OUTLOOK

BUSINESS WEEK

MAR. 11, 1961



Even small rays of hope get favorable notice now, with everyone looking for signs that the recession may be seeking bottom.

Among these small signs: (1) the pickup in auto buying late in February (page 25) and (2) brisk department store sales after mid-month (page 88).

Then, if you want something really cheering, look a little further into the future at business plans for capital investment (page 36).

Also on the cheering side, don't forget the oft-mentioned strength in nonresidential building. Without the support that came from heavy construction, the recession doubtless would have spread wider and deeper—and February unemployment would have been higher.

As it turned out, heavy construction provided the contracyclical lift that, historically, has been homebuilding's function.

## There's no slowdown in sight for construction.

Engineering construction awards in the first 10 weeks of 1961 topped year-ago totals by 10%. And this was achieved in spite of a \$106-million drop in mass housing contracts.

This year, of course, emphasis is gradually shifting from private to public projects. Yet private construction still is going strong, notably in office buildings, hotels, and industrial plants.

Awards for public construction are picking up with the temperature, and there are a lot more on tap.

State and municipal officials, hoping for a more favorable money market, are sitting on a hopperful of approved bond issues to finance projects.

Highways will go on pacing public construction. Road contracts are running 43% ahead of last year, and Commerce Dept. forecasts set total spending for highways this year at an all-time peak of \$7-billion.

But other types of public works—government administration buildings, institutions, schools, flood and pollution control, reclamation, public housing—are in for a big share of the public construction dollar as federal efforts to combat recession step up.

School construction, both public and private, will go on expanding at a brisk pace—with or without federal aid.

Contract lettings rose 12% to a record in 1960, according to Commerce Dept. figures. This was \$350-million ahead of 1959 (the bottom of a two-year slide) and \$9-million over the previous record in 1957.

Meanwhile, sale of half a billion in school bonds during January and February (the largest two-month total on record, according to McGraw-Hill's Construction Daily) provides a clear view of the future.

Bond sales generally lead contract lettings by a matter of months.

—•—

Homebuilding has yet to show any signs of a pickup in spite of the various efforts to drive interest rates down (including direct Washington pressure on the savings and loan associations).



# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

MAR. 11, 1961

Yet there's vigor in the field of temporary residences: hotels and college dormitories. These account for a rapidly increasing share of contracts tallied by the F. W. Dodge Corp. More dormitory space is required now and a still larger rise is indicated for the years right ahead.

Contracts for industrial structures soared 38% ahead of year-earlier levels for the first 10 weeks of 1961. You can pinpoint chemicals, utilities, and auto manufacturers in this expansion.

Such a showing, particularly amid all the gloomy news, provides a strong token of business confidence.

Government figures also indicate that businessmen have decided that the cutbacks on plant and equipment have been carried too far.

The new figures on business spending intentions compiled jointly by the Commerce Dept. and Securities & Exchange Commission show outlays declining through the second quarter, it is true. But they forecast a second half-year of better than \$18-billion against \$16½-billion for the first six months (seasonally adjusted).

When budgets are boosted on a declining business curve, it's news.

Here's a footnote on the Commerce-SEC figures on capital outlays:

Any time budgets are increased before an upswing in the cycle has actually started, it is a pretty safe bet that there will be further upward revision once the order book begins to fatten up.

Structural steel finally is beginning to feel the impact of the increase in heavy construction contracts.

New orders haven't exactly risen to a flood, but the 272,000 tons booked in January at least was the best for the month since 1957.

Orders now on the books total almost 2.1-million (not much less than a year ago), and more than half is scheduled to be rolled by May 31.

Unemployment climbed to a new postwar high in February.

Yet, at 5.7-million and a seasonally adjusted 6.8% of the labor force, it wasn't quite so bad as most observers had expected.

The worst aspect, of course, is that 1.6-million of the jobless have been out of work 15 weeks or more and, of these, nearly 700,000 have been hunting jobs for upwards of 27 weeks.

Really the surprise in the February labor force figures was the rise in employment by more than 200,000.

What happened is pretty clear: The weather turned unseasonably mild just as the Census Bureau's enumerators took to the field. Jobs in construction and other outdoor work, smothered by snow earlier, suddenly opened up.

Estimated employment of 64,655,000 was 150,000 higher than the previous February record, set in 1960.

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# Brightening Sky for Auto Sales

● With a sales pickup in January and February, dealers look for progressive improvement in new-car traffic.

● Buying seems strong, but a lot of it is for cash rather than for credit.

● While price bickering remains sharp, there's new interest in the frills, and big cars seem to be gaining.

● But many customers, particularly the budget-minded credit buyers, assume a wait-and-see attitude.

Any time you wait long enough on the curb for the parade, you're going to cheer the faintest downwind blare of the band. So it is this week with the automobile industry and its dealers. They've waited so long for the parade of buyers that they're cheering the appearance of sales statistics that may mean much or nothing.

Traffic through automobile showrooms in the past week was brisk. Dealers nationally sold slightly fewer cars in February than in January (361,000 vs. 369,000), but there were two fewer selling days in February. So the daily rate of sales was a bit ahead of January for the full month. And in the last week of the month, the daily rate was nearly 18,000, which is respectable indeed for this time of year. It's not up to 1960, but then few figures are.

• **Rising Mood**—Nobody is throwing his hat into the air yet—not until the parade comes into sight. A man who sells Dodges in Jacksonville, Fla.—which had its share of abnormal weather along with the rest of the East Coast—voices the mood BUSINESS WEEK reporters found early this week in most of the country: "It's too early to say how the season as a whole will turn out, but I think we've broken the back of the recession in auto sales. We've been hurt, but the January-February pickup has encouraged us to believe that improvement in sales will be progressive."

The nudge in sales came so late, though, that it left the dealer inventory of new cars practically unchanged. February production was 363,000, so inventories still hung above 1-million new cars. Few dealers seem distressed about the size of their inventories. Most are

ordering only special jobs from the factory or replacements for what they sell; if last week did signal a spring upturn they'll need their stocks to fill demand.

• **Ford-Chevy Stocks**—Apparently the high stocks of unsold new cars belong mostly to Ford and Chevrolet dealers. Those companies seemed to confirm that this week when they announced a production curtailment. Both Fords and Chevrolets are selling proportionately as well as other name plates, but their factories had expected much better. When the Ford-Chevy field stocks were being built up a couple of months ago, the expectation was for 1961 auto sales of 6.5-million or better.

The seasonally adjusted annual sales rate is moving up, but it is nowhere near that level. In January it was 5.1-million. It dropped to 4.8-million in early February and closed out the month at 5.6-million. For the full month, the rate was 5.2-million—a nice base on which to build if a sales climb is ahead.

## I. Forecast: Partly Sunny

You can discount a dealer's natural optimism and still agree with him that sales could pick up even more. He has a lot going for him.

Used-car sales are strong, and so are prices. There's a developing scarcity in used cars that are up to four years old. The significance is that when a dealer can sell a used car at a profit, he can offer a good trade-in allowance to get it—and there's probably no better bait to dangle before a new-car prospect.

At the same time, most new-car buyers seem to have a late-model car to trade, with enough equity in it to make downpayment and financing no problem. The final price of the new car is no different from a year ago, and neither are the usual finance terms—25% or 30% down and no more than 36 months.

• **Weather Factor**—Weather, rather than disinterest in cars, had a lot to do with the poor performance in January and early February in some of the major markets. In the East the sun has been shining and the snow melting for two weeks now, and Boston and Washington report sharp upswings in new-car sales.

A disquieting note is that a lot of the business is being done for cash. That means that the vast horde of budget-minded buyers haven't enough confidence in the immediate future to go into hock for a long term. Apparently, the new-car buyers in the market are acting out of need rather than desire. They don't necessarily want a new car, but are buying, for example, because their present car is ready for new tires and expensive overhaul. Says a Studebaker dealer in Cincinnati: "My prospects are either cash buyers or dead beats. The middle credit buyer is not buying right now."

You get the impression that auto sales are better than the national economic signposts indicate they should be. Says a Minneapolis Dodge dealer, "We'll have a good pickup in 60 days even if the economic level doesn't get better. But give us better economic conditions and we'll go to town."

But there's also a widespread feeling that it already is too late for a sensational sales year. In Boston a General Motors dealer put it this way: "I sold more than 200 cars last March, and I might hit 225 this March. But those 25 extra cars won't begin to offset the 150 I was off in January and early February."

## II. The Bashful Buyer

The mixed trend in sales is matched by the mixed trend in customer conduct.

Take prices. "Shopping" seems as fierce as ever. "The average person who

comes in," reports a Dodge-Rambler dealer in Akron, "doesn't come in to buy a car, doesn't even want to ride in the demonstrator. All they want is your lowest price and they'll warn you they'll shop five other dealers."

In Louisville, a Buick dealer gets very vocal on the same subject: "We spend a million dollars setting up a dealership in order that we can buy at the factory price. Now every character that walks in off the street with a down-payment in his hands wants to buy at that factory price, too. . . . These people come in and tell you flatly that they are shopping and that they don't care whether they buy a Buick or a Pontiac or a Chevy."

• **All the Frills**—Yet, while price bickering remains strong, there's growing interest in the frills. In the same city, a Pontiac dealer says: "They want everything on them—power equipment, radios, automatic transmissions, air conditioning, and the whole works. And they want it all below our cost." He doesn't notice much demand for stripped cars; neither does a Chevrolet dealer in San Francisco. In Milwaukee there's the feeling that customers aren't too much interested in operational cost any more (which was supposed to be the big appeal of the compact cars), but only in the total price, including optional equipment.

The sales of the smaller cars remain strong, with the Corvair in particular doing much better than a year ago. But big cars seem to have more strength

than a year ago, possibly because last year there was so much interest in the new thing, the compact car. A Ford dealer in Kansas City says he has noticed increased interest in the lower-priced standard models rather than in the Falcon. And in Cincinnati, on a rainy Saturday in March, an Olds dealer said he didn't have time to talk; he "had 10 deals cooking."

• **Wait and See**—Maybe because the word went out that the automobile business isn't too hot, the customers are playing harder to get than usual. In Louisville, one of the places where auto sales are soft, a dealer says: "The problem is just getting people to say yes." Farther up the river in Cincinnati, a Ford man says: "There's not too much of a holdback as far as ability to pay is concerned. They're just reluctant to buy now. I never saw so many deals where there was no particular reason for not buying except that they want to wait."

In Jacksonville, a woman said she would wait to buy because she expected prices to come down. The salesman asked her if she expected her husband, a railroad man, to take a cut in pay, and got an indignant "no" for an answer. He explained that if labor costs didn't come down prices couldn't, but he still didn't make the sale.

To the bashful buyer there's nothing sacred. Even a Volkswagen dealer says: "Now we have to talk to a few more people to make the same number of sales."



To get more 1961 models on the road early, the Akron Automobile Dealers Assn. is staging its fourth annual Sale-O-Rama in Summit County, Ohio. The promotion consists of heavy newspaper advertising in the Akron area, 400 radio spot announcements, signs, and 10,000 balloons. This year, the scores for the first four days of Sale-O-Rama week were 337 new and 476 used

cars, compared with 198 new and 347 used during the same period the previous week. But most dealers felt it hadn't made so much difference as in previous years. Moreover, since Sale-O-Rama is a race for volume rather than for profit, some dealers are cutting prices in order to sell more cars. Others claim that the promotion only creates traffic in showrooms.

## Another

**R**EPRESENTATIVES of some 250 defense contractors and would-be military suppliers will be in Washington next week to sit in on a seminar on Planning for Limited War Requirements, sponsored by the Electronic Industries Assn. They will listen to Pentagon and industry experts talk about military needs for conventional arms and equipment, ask questions on how their companies can plan to produce the items.

EIA's seminar points up industry's renewed interest in a defense market that in recent years has been overshadowed by the Pentagon's demand for bombers, long-range ballistic missiles, and other strategic weapon systems primarily designed for all-out nuclear warfare.

It comes on the heels of the Kennedy Administration's decision to bolster the nation's capacity to fight limited-type wars without nuclear weapons (BW-Feb.11/61,p98). The decision represents a shift in basic U.S. strategy, placing greater stress on readiness for military threats that do not initially involve atomic arms or a direct attack on this country.

• **\$2-Billion Add**—These shifts in strategic policy will result in some important reshuffling in the product mix of defense. The exact changes and the dollar amounts involved are still uncertain, and will not be revealed in detail until the White House sends proposed amendments to the Eisenhower 1962 defense budget to Congress in about 10 days. These will add from \$1.5-billion to \$2-billion to Pres. Eisenhower's \$42-billion appropriation request.

• **"Second Strike" Insurance**—In its intensive reappraisal of defense policy, the Kennedy Administration has concluded that the past emphasis on massive retaliation strategy for deterrence has serious limitations, and that a more flexible military capability is essential to counter the more likely danger of "brushfire" or limited wars.

This does not necessarily imply a cutback in strategic nuclear strike forces at present. Indeed, another significant Administration conclusion is that it should decrease the vulnerability of U.S. retaliatory forces. This will mean increased spending for hardened and mobile missile systems such as Polaris and Minuteman and accelerated efforts to keep manned bombers on a ready-to-go basis. The aim is to assure the nation of a second-strike nuclear capability—a capacity to absorb an attack and to come back with a devastating counter-blow.

• **Pentagon Is Divided**—The Pentagon has bucked several key military de-



# Chance at Defense Contracts

● The Kennedy Administration is putting more emphasis on weapons to counter limited-type or "brushfire" wars.

● This doesn't necessarily mean any cutback in the nuclear missiles program.

● But it does mean increased spending—maybe \$2-billion more—for conventional arms and equipment.

cisions to the President because of the inability of Defense officials to resolve bitter controversies. The Defense Dept., for example, was unable to come up with a firm decision on the Army's proposal to begin production of the Western Electric Co.-Douglas Aircraft Co. Nike Zeus anti-missile system.

The Army wants at least \$200-million extra to start producing equipment for two Zeus defense centers. The current budget earmarks \$250-million just to continue research and development. The Army's idea is to use the production capacity built up to manufacture test quantities of Zeus components. This is a watered-down version of the Army's original multibillion-dollar proposal to tool up for a full-blown production program to equip 70 Zeus batteries.

Dr. Herbert F. York, who was director of Defense Research & Engineering under Eisenhower and is continuing in this post under Pres. Kennedy, recommends against Zeus production. He believes the system, as now designed, would be virtually helpless against an ICBM salvo attack, and that more development is needed to justify a costly move to production. The Army is lobbying furiously—especially in Congress—for rejection of York's view.

York is also engaged in controversy with the Air Force and the Atomic Energy Commission. He wants to kill one of the two rival nuclear aircraft propulsion projects—General Electric Co. and United Aircraft Corp.'s Pratt & Whitney Aircraft Div. are competing contractors. This was his view under Eisenhower. He still stands by it, but the Air Force and AEC are urging the White House to keep both projects going.

• **Budget Problems**—There are other military questions that Kennedy must decide this month—issues that play up the basic problem of how to get the maximum amount of defense per dollar when the number of dollars to spend are finite.

On the Air Force side of the budget, a cutback in North American Aviation, Inc.'s B-70 bomber development project is under serious consideration. One

idea is to go back to the Eisenhower policy of limiting the project to a stripped-down, prototype Mach 3 aircraft and to cancel work on electronic combat subsystems.

ICBM schedules are also under review. Some Air Force planners want to add three missiles to each of the six last Atlas squadrons now being set up at hardened sites. There's also some thought of canceling the last two Titan II squadrons—a contract to build sites at Griffiss Air Force Base, Rome, N. Y., to house the missiles has yet to be awarded.

The Air Force is also pushing for more money. It wants funds to speed development of Douglas Aircraft's Skybolt air-launched ballistic missile; the Eisenhower budget has no new money for the work. AF also wants a second production line for the Minuteman ICBM. The Navy, meanwhile, is opposing a proposal to shelve the Eisenhower decision to arm the nuclear cruiser, the Long Beach, with the Polaris missile.

• **Limited-War Forces**—There's less controversy over the fundamental idea of strengthening limited-war forces. But there are differences about how much strengthening. A task force headed by Asst. Defense Secy. Paul H. Nitze seems to be thinking of requirements amounting to \$2-billion to \$3-billion annually over the next couple of years. The Army would like 55,000 more men and three extra divisions. The Marine Corps wants 25,000 additional troops.

As the situation stands now, Kennedy's limited-war buildup will fall far short of these proposals. But the Administration is expected to approve increased Navy spending for amphibious assault boats, helicopter assault ships, tank landing vessels, and related equipment.

The Air Force probably will be directed to buy still more new transport planes. Actually, the Army is dissatisfied with the Boeing C-135 and Lockheed C-130E that have just been ordered (the planes are not designed for tailgate loading), and is waiting eagerly

for development of a new jet cargo plane. A development contract will be awarded shortly; Douglas Aircraft, according to Washington gossip, has an inside track on the award.

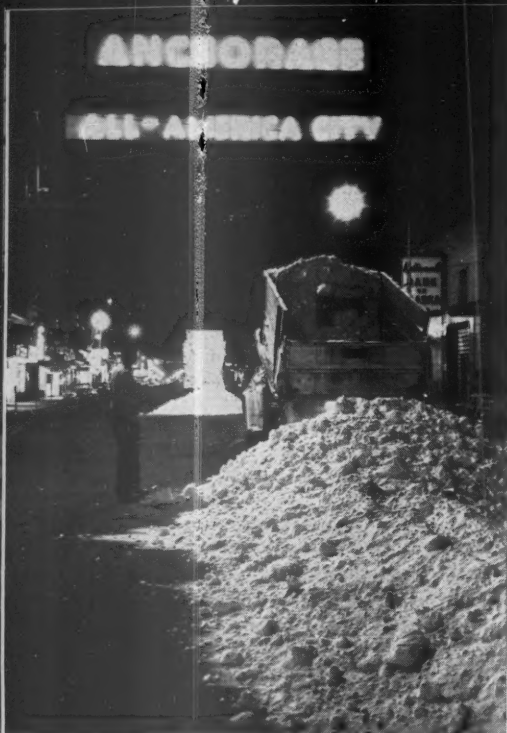
• **Arms-Equipment Boost**—Stepup in procurement of conventional arms and equipment had been planned in the Eisenhower budget. It earmarks \$1.8-billion for Army contracts, \$210-million more than this year; \$159-million for Marine procurement, a \$22-million increase. But a boost of at least 12% in the Eisenhower figures now seems likely.

The extra funds will go for a wide range of equipment. Procurement awards seem likely for a new 105-mm. self-propelled howitzer, 175-mm. gun, 90-mm. recoilless rifle, and 81-mm. mobile-support mortar. These weapons are in the prototype stage and have yet to be produced in quantity. General Motors Corp.'s Cadillac Div. is R&D contractor on the big howitzer, and Pacific Car & Foundry Co. on the 175-mm. gun. The recoilless rifle was developed in two Army arsenals, the mortar by Food Machinery & Chemical Corp. Production contracts will be awarded through competitive bids, but Army experts concede that the R&D contractors have a competitive advantage because of their knowhow.

Another order for the M-88 tank recovery vehicle seems certain. Bowen-McLaughlin-York, Inc., is in production, but the odds are that a second source would be selected. Harrington & Richardson, Inc., and Olin Mathieson Chemical Corp.'s Winchester-Western Div. are producing the M-14 rifle, a new weapon that replaces three obsolescent types of small arms.

Other additional equipment the Army wants to buy: 7.62-mm. ammunition (Remington Arms Co., Inc., and Federal Cartridge Corp. are the two main suppliers now); the M-113 armored personnel carrier (Food Machinery & Chemical Corp. builds this); the M-60 tank (Chrysler Corp.); the Davy Crockett bazooka-type launcher for low-yield nuclear warheads (several firms supply prototype components).

Plans are also shaping up to expand purchases of a wide variety of tactical missiles (such as the Lacrosse, Sergeant, and Redeye), small aircraft (such as the Grumman AO-1 Mohawk, de Havilland AC-1 Caribou, Sikorsky H-37 helicopter, and Vertol HC-1 Chinook helicopter); mobile digital computers, forward area communications systems, FM command radio, and other electronic gear; and trucks and other logistic-support vehicles. Production orders for each of these are now outstanding.



**SNOW UNREMOVAL** at midnight brings truckloads from nearby hills to provide racing strip for dog sleds—the fifth mild winter when Anchorage found this necessary.

**BUCK SKINS** are picked over by bargain hunters. Odds and ends of furs make souvenirs for Rendezvous visitors—buy enough and you can make a scarf or coat.



**ESKIMO BLANKET TOSS** on a main street corner of Anchorage is traditional feature of festival. The "blanket" that sends man high in the air is really a walrus skin.

## Not Much Fur Trading Bu

Anchorage, Alaska's annual Fur Rendezvous started out as a great fur market. Now furs are no longer so important, but Alaska's largest city has a festival anyway.

Dog sled races, Eskimo dances, and beard-growing contests were among the hoopla (pictures) that brought back Alaska's lusty past at the annual Fur Rendezvous in Anchorage (pop. 44,237), the 49th state's largest city.

This year, there was an air of unreality, however: Thanks to the warmest winter in years, the city's streets were bare of snow. For the dog sled races, the street department had to truck in snow from nearby points after a snow-making machine had failed to work.

• Only a Shadow—The Rendezvous,

dating from 1937, is an outgrowth of the early days of fur trading when trappers came to Anchorage from the territory's lonely outposts. At times, as much as \$100,000 worth of prime pelts were shown, attracting buyers from as far as New York.

Since then, however, fashions have changed, trimming the importance of Alaska's long-haired furs. The boom in mink—ranch mink, at that—has reduced Alaska's role to its important Pribilof seal and to a small volume of such long-haired furs as beaver and muskrat.



**DOG SLED RACE** starts in downtown Anchorage, goes 75 mi. up into the hills and back again before finishing in the city. This contender is Henry Agnes, one of 23 racers.



**ARM BENDING** (hands together, elbow on table) is claimed by Alaska as a sports specialty. On three evenings at the Trade Fair, muscle men competed in formal contests.

## But Lots of Fun

Moreover, buyers go directly into the hinterland to obtain their skins from trappers and trading posts, and ship them to markets, bypassing Anchorage. • **Fun's the Thing**—As a consequence, fun now is the thing at the Rendezvous, and fur is little more than a symbol. Most of the furs sold at the auctions last week were bought by visitors and local residents who had coats and scarves made from them.

The week of festivities and ringing cash registers served somewhat to divert Alaskans' attention from the woes of their fur industry. The main attraction was the world's championship dog sled race in which 23 teams, sponsored by local businessmen, competed for \$7,000 of prize money over a 75-mi. course that went through parts of

Anchorage and into the foothills of the Chugach Mountains. It was won by Leo Kriska, an Eskimo from Koyukuk, up in the Arctic. His 12-dog team made the 75 mi. in just under six hours.

• **Ground for Hope**—Meanwhile, Alaska fur men are cheered slightly by speculation that their industry has hit bottom and is turning up again. They find ground for such hope in the growth of orders for fox from the fashion capitals of Europe and in the likelihood that the U. S. will follow the trend.

Some local people also raise the possibility that mink ranches may be established in Alaska on a significant scale and that seal-processing may be moved there from cities such as St. Louis, but others feel this is too optimistic.



King of the beards, Mr. Surface . . .



. . . dolls in fur parkas . . .



. . . authentic Eskimos . . .



. . . and modern Alaskans whooped it up.



# Britain Gets Biggest Press Giant

Coup of Cecil King in merging Odhams Press with his Mirror group, to create \$280-million newspaper-magazine empire, grows out of Britain's tightening press competition.

In London this week, the Mirror group, publishers of the fabulously successful sex-sensation-and-politics tabloids, the Daily Mirror and the Sunday Pictorial—had a double celebration. One marked the opening of the group's new \$25-million headquarters on Holburn Circuit. The other was for last week's victory in the battle for Odhams Press, Ltd., a victory that will make the Mirror group undoubtedly the world's largest newspaper and magazine publishing empire, in terms of its assets of nearly \$280-million.

In gross revenues, the estimated \$308-million chalked up by the Mirror group and Odhams together in 1960 tops the estimated \$280-million to \$290-million 1960 gross of Time, Inc., largest U.S. publishing enterprise in volume.

Both building and empire represent personal laurels for one man—Cecil Harmsworth King (picture), Mirror group chairman and nephew of Lord Northcliffe, the greatest of all the press lords. But they are also signs of the new shape of British journalism—and, in large measure, the world's.

• **Fewer and Bigger**—It's a journalism of the age of bigness; following the trend of most industries, it's shaking out through a series of mergers and take-overs into larger and larger, and fewer and fewer units. The Mirror group's \$165-million assets plus Odham's \$113-million make a combination almost four times the size of the nearest British competitor, Thomson Newspapers, Ltd., with \$74-million (King's opponent in the battle for Odhams).

It's also a journalism of the age of managerial revolution. As with most industries, the men at the top are for the most part managers, not proprietors. Unlike his uncle, whose press empire was largely a personal property, King has nothing like a controlling interest in his. In Daily Mirror Newspapers, Ltd., for example, his 10,000 shares are worth less than £6,000 out of total common stock holdings of £36-million at market values.

As a byproduct of the press merger, the Mirror group-Odhams consolidation creates Britain's second largest paper industry group, topped only by the Bowater group.

• **Worrisome**—The trend toward bigness is profoundly worrisome to most Britons, particularly when it affects the

press (BW—Feb. 4 '61, p. 76). Prime Minister Harold Macmillan was able to resist pressure to try to stop the Mirror-Odhams merger. But he was forced to appoint a Royal Commission to investigate the causes of the rapid contraction in number of publications and press ownership.

• **Imperial Scope**—King's power is not a monopoly—nor even a near-monopoly—of the opinion-forming press. The Mirror group's British newspapers include only the Daily Mirror and Sunday Pictorial—both with leftwing political views—a weekly called Reveille, and three Scottish papers. To these the merger adds only two: the Daily Herald, semi-official Labor organ, and the People, a mass-circulation Sunday paper. King would like to get rid of both of these, and will sell them if he can.

What King does get through the Odhams take-over is a virtual monopoly of mass-circulation magazines, and an overwhelming position in the trade press. To the 100 periodicals of the Mirror group's Fleetway Publications will be added another 100-odd of Odhams and its two major subsidiaries. The combined group will also have about 150 handbooks, directories, and yearbooks.

It will have all British women's magazines of over 350,000 circulation—which today is almost the equivalent of saying all the mass-circulation magazines. The prize properties: Odham's Woman (3-million-plus), Woman's Own (2-million-plus), Fleetway's Woman's Mirror and Woman's Weekly (each about 1.5-million).

In addition, the new combination controls paper manufacturing with sales equal to its publishing side, a substantial share in British commercial television, and six newspapers in West Africa and two in British Guiana.

• **Press Troubles**—The constriction of the British press in numbers and ownership, of which the Mirror-Odhams merger is a sign, has two main causes. One is rising costs. Newsprint, promotion, and all other costs are rising, but most people in publishing put the biggest part of the blame on labor costs.

Besides rising costs, there is the growing selectivity of advertisers. The British press, probably the world's cheapest, is overwhelmingly dependent on advertising (it was only this week that the popular morning dailies went up to



CECIL HARMSWORTH KING, Northcliffe nephew, heads new press empire.

three British pennies, and the large-circulation women's magazines sell at a pence—about 7¢ U.S.).

Despite phenomenal growth in commercial TV advertising, British expenditure on press advertising keeps rising: last year's \$375-million was up 17% from 1959 and was three times the figure 10 years ago. But because advertisers are getting more conscious of readership—both in numbers and spending habits—the gravy is not even spread. The most popular of the popular press, and the "quality press" that can charge high rates, are prospering. In between, the going is rough.

Provincial papers have been folding right and left. As for the "national" papers—the big London morning dailies and Sundays—circulation figures that may seem enviable by U.S. standards are below the break-even point of dailies. The morning News Chronicle folded last fall with 1.2 million circulation, and Thomson's Empire News, Sunday paper, went out of business last year on a circulation over 2-million. King has put the break-even point at 2-million; his Daily Mirror noses out the Express for first place among the dailies with 4.6-million.

Mass-circulation general magazines are harder hit by TV than the rest of the press, have virtually ceased to exist.

• **Financier-Journalist**—It is in the competitive situation that King has built his empire. He is first and foremost a financier—and an extremely able one. There's a widely held theory that he is an example of a trend among press lords to money-minded businessmen who could be in any industry. This irritates King. "It has been said

that I might as well be a scrap iron magnate," he said this week, "but the fact is I have no interest in scrap iron and a passionate interest in journalism."

As a financier, he has two top advisers—Siegmond G. Warburg of S. G. Warburg & Co., Ltd., private bankers, and Lionel Fraser, head of Helbert, Wagg & Co., Ltd., investment bankers. Warburg, who came from Hamburg in 1933, has been one of the shrewdest operators in the postwar merger pattern. A major triumph was piloting Reynolds Metals Co. and Tube Investments, Ltd., to victory over Aluminium Co. of America in the battle for British Aluminium Co. Ltd. (BW—Jan. 17 '59, p. 59).

The acquisition of Odhams resulted from tightening competition among women's magazines. These have been far and away the biggest-circulation,

biggest money-making, and fastest-growing segment of the magazine industry. But, especially since the mergers of 1958 and 1959, competition has been getting fiercer. While costs have risen, circulations have not—or not enough. This situation was largely responsible for the drop in the Mirror group's profits from \$25-million in 1959 to \$20.7-million in 1960.

King thought this situation needed remedying—by cutting down the murderous costs of competition. He went to Odhams with an offer to sell part of Fleetway Publications for a large block of Odhams stock. Odhams turned instead to Roy H. Thomson, a Canadian who has carved out a British press empire in the past eight years. This started a three-way tug-of-war involving King, Odhams, and Thomson that ended in victory for King.

## Hopeful Turn in Retail Sales

Two-week climb in department store sales over 1960 is taken by some as a first sign of general business upturn. The April figures should really tell the story.

For the next few weeks, the U.S. can expect encouragement from consumers. They will be giving the economy a lift that might be a harbinger of a general business upturn.

That, at least, is one way to read the first significant year-to-year gains in weekly department store sales since the middle of January. It's the way they were read by Chmn. Walter W. Heller of the Council of Economic Advisers (page 32). For the past two weeks, the Federal Reserve Board figures show over-all gains of 7.5% and 10.9%, cutting the year-to-date lag in retail sales to just 1% compared to 1960.

Further comparative gains are almost certain to be racked up. That's because:

- March sales in 1960 were anything but good; the weather was bad.
- Easter, which falls on Apr. 2 this year, was two weeks later in 1960.

Thus calendar and weather alike are working for retailers in their efforts to boost their spring figures.

• **Is It a Fluke?**—Of course, the big question is whether this burst of consumer buying is more than a statistical fluke. You will have to follow it closely from now on. If March sales show little improvement over last year, the caution signals are sure to be put back up. But it will be April—when some of the seasonal factors are washed out—before anyone can feel sure about the consumer part of the economy. April a year ago was a "colossal" month, so if retail business can match it this year there will be every reason to think that a recession corner has been turned.

There is no question that up to now consumers have been holding back—either because of apprehension, declining personal income, the record snowfalls in major population centers, or a combination of all three. Ever since mid-October there has been an almost unbroken decline from the sales figures of a year earlier. The final pre-Christmas splurge enabled 1960 to set another postwar record, largely because the first half of the year had been good.

• **Effect of Weather**—Some top merchants around the country lay a lot of the blame on the weather. An economist for a big department store chain reported that sales were good whenever the bad weather broke. "Even when you include the days of bad weather," he said, "you can mark 1961 down as reasonably fair business."

Another top merchandise economist whose company depends more on hard-goods sales than do department stores is somewhat more cautious. He figures that the department store gains measured by the FRB may be somewhat misleading, since springlike weather and an early Easter—plus the bad late spring in 1960—favor the softgoods lines.

There's little question that hardgoods sales are lagging. Inventories are low and prices weak. On the other hand, the low inventories mean that any upswing could bring rapid increases in production.

• **Movable Feast**—Part of the drag in durable goods may be the fault of the calendar. Last year, with Easter so late,

many big stores held major promotions earlier on their appliance and home furnishings, figuring that there was still time to do some selling before the Easter season buying started. With this year's earlier Easter, there are fewer such promotions.

Automobiles, which make up the bulk of the durable goods sales, haven't been doing so well as Detroit had hoped. But a spurt in the last weeks of February has raised some hopes that the worst is over (page 25).

• **Imponderables**—If all this seems inconclusive, it's simply because there are too many factors affecting consumer spending that cannot be fully judged this early in the year.

Around the country, merchants still say they hope that 1961 will end up ahead of 1960, though they feel a boom is not likely. In Dallas, merchants find countervailing factors. They are still plagued by unemployment, with new one-week shutdowns scheduled to affect 2,300 workers at Ford and General Motors. Store sales have been erratic, with fine weather getting credit for the gains in the last two weeks.

In St. Louis, the picture is much the same. The question there: Are the recent retail gains a sign of better things ahead or just a wiggle on the chart? Major retailers incline to see a real pickup.

On the West Coast, a luxury store reports surprising gains in February. It considers this a good indication of better things to come for everyone, since its own sales usually are the first to fall off and the first to recover. This could be good news for medium-priced stores on the West Coast—which need some cheer. One such chain reported a 3% drop in February, the first time since 1958 that the chain as a whole had failed to top the year-before month.

• **Eastern Hopes**—Clear back East, in New York, two major department stores think their March-April volume will be somewhat ahead of 1960, and that the gain will be more than seasonal. A big discount house, leaning heavily on appliances, also thinks it sees signs of some pickup. It reports that January started well, only to be stopped cold by the storms; then February improved a bit, and now March seems to "be opening up a little."

You hear more and more talk that the Kennedy Administration is spreading too much gloom, and that the stock market is guessing the future more accurately than the economists.

A major retail chain has just launched a program to:

- Get its own buyers to place into the pot right now "reasonably needed" orders for staple lines.
- Pass the word to other business people of the need for filling holes in inventory.



**ECONOMIC ADVISERS** James Tobin, Walter W. Heller, and Kermit Gordon break tradition by testifying in open hearing on state of economy. Council hopes for an upturn by June.



**CONGRESS** Joint Economic Committee Chmn. Wright Patman (D-Tex.) and Vice-Chmn. Paul H. Douglas (D-Ill.) praise Council's report, ask for another appearance after budget message.

# Congress Gets Forecast of Upturn

**Administration spokesmen at committee hearing pretty well agree on timing of recovery, but Fed Chmn. Martin differs on prospects of mopping up unemployment.**

The Kennedy Administration this week began to fill in the blank spaces in the program it hopes will end the recession and start the country on a long and faster growth trend.

In two days of hearings before the Joint Economic Committee of Congress, members of the President's Council of Economic Advisers, led by Chmn. Walter W. Heller, and Treasury Secy. Douglas Dillon set forth the Administration's views on issues as varied as the timing of the expected business upturn (next quarter), the size of the budget deficit (\$1.5-billion this fiscal year), and the nature of the unemployment problem (nothing that orthodox anti-recession measures can't cure).

Chmn. William McC. Martin, Jr., of the Federal Reserve Board, was less cheerful about the prospects of mopping up unemployment by noninflationary monetary and fiscal policies; he thought that there was a growing hard core of technological unemployment. Martin also told the committee why he recently switched policy and began buying long-term Treasury bonds to help the Administration push long-term interest rates down. This was not a surrender of the Fed's traditional independence from the White House, he told skeptical Democratic committee members, who had been trying to get Martin to make the switch for two years.

The cumulative impression from the hearings: The Administration is hopeful that the recession will bottom out next quarter—but is by no means sure that it won't last longer. And Pres. Kennedy and his aides are convinced that the U.S. faces a severe long-term growth problem.

## I. Caution All Around

The economic programs outlined by Administration witnesses were extremely cautious. They have heavier ammunition in reserve, but this week began to show how reluctantly it will be fired—if ever.

Democrats greeted the Council of Economic Advisers and Dillon with the gentlest of questioning. They did not ask why Kennedy, after describing the outlook in the grimmest of terms in early speeches and messages, is now seeking mild anti-recession measures from Congress.

Members of the committee are aware of the concern among fiscal experts about the "deflationary gap" in the federal budget. This brings the budget into balance at not much above the current Gross National Product level of about \$500-billion, the experts say, instead of the \$540-billion level needed to bring unemployment down to an "acceptable" 4% of the labor force

(BW—Feb. 25 '61, p. 24). But committee members did not ask Heller or Dillon how they intended to close this gap.

• **Amiable**—Republicans on the committee also reacted mildly, either asking routine questions or—in the case of Rep. Thomas B. Curtis of Missouri—asking for more time to frame inquiries. The Council members will return for another and presumably less amiable session sometime after Easter.

• **Overlooked**—No one on the committee mentioned the recent criticism of Administration economic policy by MIT's Prof. Paul A. Samuelson, Kennedy's oldest and perhaps closest economic adviser. In an article written for a Japanese financial journal, *Nihon Keizai Shinbun*, last month, Samuelson expressed some feeling that the Administration's anti-recession policy may be too little and too soft. In a TV appearance this week, Samuelson argued that there was a strong case for "deliberately unbalancing the budget."

It is apparent that Kennedy's fellow Democrats, at least, find his program logical and, for the time being, sufficient.

## II: Recovery Schedule

Dillon and Heller each gave the committee pretty much the same timing out when an upturn is expected, though Dillon was more precise and perhaps a shade more firm in his optimism.

Heller discounted inventory buildup as a possible source of expansion during the first half of the year. But he said a sufficient push could come from the up-





TREASURY Secy. Douglas Dillon says goal is to bring balance of payments under control sometime in 1963. He feels too much hope has been put on recovery based on inventory turnaround.



FEDERAL RESERVE Chmn. William McC. Martin, Jr., tells critics Fed's decision to buy long-term bonds was taken independently; Pres. Kennedy knew of it, but was not a party to it.

## urby Midyear

ward trend of government spending, and from increases in consumer spending linked to such Kennedy programs as extension of unemployment insurance, speeded-up payments to farmers, and accelerated contract-letting.

Heller told Sen. Prescott Bush (R-Conn.) that he was watching a current rise in retail sales (page 31) with hope, but that there are also some soft spots "that are not so reassuring."

• **Pinpointed**—Dillon, on the other hand, pinpointed it: Recovery will start next quarter and continue the rest of the year. This is only a minor rewriting of the business picture as seen in the final Eisenhower Economic Report, delivered to Congress in January. Eisenhower implied then that a turnaround would come in the January-March quarter.

The postponement of the expected pickup is enough to change the budget outlook, Dillon added. He told the committee that the economy continued to slide off during the current quarter, and that corporate profits probably failed to hit the \$45-billion mark predicted by Eisenhower for 1960. This means a deficit of around \$1.5-billion for the fiscal year ending June 30.

### III. How Much Spending

Sen. Paul H. Douglas (D-Ill.) tried in vain to get Heller to put a dollar cost on the total Kennedy program to date. Heller said, in a carefully worded explanation, that steps being urged by Kennedy would put \$3-billion extra spending money into the hands of con-

sumers in the 12 months after they are adopted.

But this includes only such programs as extension of unemployment insurance, aid to education, area redevelopment, and liberalization of old age retirement benefits. It omits any increase in military spending—probably around \$1.5-billion—funds pumped out by way of advanced procurement, and anything Congress may vote by way of housing stimulation.

• **Changing Views**—The spending potential in Kennedy's plans led Sen. Jacob K. Javits (R-N. Y.) into one of the few explorations of basic philosophy generated by the hearings. After Dillon had referred to the role of the federal government as an "energizing force in the growth of our economy" and a powerful stabilizing factor, Javits wanted to know whether this meant an increasing emphasis in the future on government spending.

"Not a greater emphasis on government as against private spending," Dillon replied, "but a greater use of fiscal policy compared to the previous emphasis on monetary policy."

### IV. Long-Term Problems

Heller, both in his prepared statement and in exchanges with committee members, stressed that an economic upturn this year "would be only the beginning, not the end, of the solution to our economic problems." The chief problem, as he sees it, is to close the gap between what the economy is capable of producing and what it is actually producing. This gap now could be as much as 10%, he testified—meaning that at reasonably full employment the economy would be producing at a rate

\$50-billion a year above its present rate.

Heller presented the Administration's case for tax incentives to spur investment in new plant and equipment as one means of quickening the growth rate. But he warily refused to be drawn into a discussion of the circumstances in which the Administration might recommend a consumer tax cut.

The general tone of both Heller's and Dillon's testimony was that Kennedy and his advisers don't expect to call for the consumer tax cut cure.

• **What Kind of Unemployment?**—One of the sharpest clashes occurred over these questions: Who are the unemployed? Have changes in the economy produced a greater percentage of so-called "structural unemployment"—that is, unemployed persons who for lack of the proper skills won't be re-employed even when the economy does pick up again?

Heller said the facts "clearly refute" the view that the new unemployed are "intrinsically unemployable by reason of sex, age, location, occupation, or skill." Heller submitted 10 tables prepared by Council member James Tobin as evidence that hard-core unemployment has not been growing as a percent of the labor force.

• **Disagreement**—Fed Chmn. Martin disagreed. He said that unemployment caused by the recession should prove only temporary, but that structural unemployment—which is "worse"—has already proved to be persistent.

Martin said flatly that attempts to reduce this structural unemployment significantly through easing credit and through tax and spending programs would bring on a new threat of inflation.

# Will Small Boost Be Enough?

Last weekend, West Germany did what many economists in other countries have long recommended, many of Germany's trade competitors have been hoping for, and many foreign exchange speculators have been counting on. With Economics Minister Ludwig Erhard (picture) taking the lead, the Bonn government revalued the D-mark from 4.2 to the dollar to 4.

This week it is hard to find anybody outside Germany who is more than guardedly optimistic about the revaluation that went into effect on Monday. The increase in the international value of the mark wasn't large enough—only about 5%—to satisfy either Germany's trade competitors or the currency speculators. It was enough, though, to force the Netherlands, with its close German trade ties, to revalue the guilder by an equal amount and to set off protests from both German and Dutch exporters about the difficulties they will now face in foreign markets.

- **More to Come?**—Revaluation of the mark also has had international money markets in a turmoil with rumors of additional currency changes—the Swiss franc, the French franc, and the Italian lira all mentioned for possible revaluation.

The danger in this situation is a general loss of confidence that existing exchange rates will stay put. This could lead to recurrent waves of rumors that this or that currency soon will be changed up or down.

In London at midweek—despite some quiet cheering from British exporters—there was considerable worry that, if a situation like this develops, the pound would suffer first, and probably later the dollar. The British have been convinced for several years that the mark has been undervalued and that it would take at least a 10% revaluation to bring it into reasonable alignment with the pound and the dollar. Since the value of the mark has gone up only 5%, the British fear that neither Germany's exports nor imports will be affected much and that Bonn will go on running a huge trade surplus.

- **Effect on Trade**—U.S. trade and financial experts agree that the revaluation is likely to have only a moderate effect on the German trade balance. Some American experts feel that Bonn could have achieved the same results by dropping its special export subsidies and import taxes. That method would have had the added advantage of not rewarding the currency speculators.

However, Washington and New York got some satisfaction from the



LUDWIG ERHARD, West German Economics Minister, engineered the revaluation.

prospect that revaluation will bring a flow of dollars back to the U.S.—the funds that have gone from here to West Germany in anticipation of a revaluation. To this extent, U.S. financial authorities feel the German move is a constructive one.

- **Defense Share**—The thing that worries Washington is this: Now that the mark has been revalued, will Bonn try to back away from its commitments to carry a bigger share of the West's defense and aid costs?

Washington has been exerting heavy pressure on Bonn to launch a big development aid program on a continuing basis and to offset American military spending in Germany by increasing its arms purchases in the U.S. When Foreign Minister Heinrich von Brentano visited Washington recently, he made pretty solid commitments on both counts.

Now, some U.S. officials suspect that Erhard may have pushed for revaluation as a means of getting the Bonn government off the hook. Washington has learned that Erhard wanted more than a 5% revaluation but couldn't carry Chancellor Adenauer with him. Apparently Erhard's idea was to fix the rate of exchange for the mark at a level where German trade would come more or less into balance, thus eliminating Bonn's big annual surplus. Then, the U.S. could not have argued that Bonn should use this surplus for larger aid and defense expenditures.

- **Plausible Theory**—For a man in Erhard's position—an economist and the leading aspirant to Adenauer's job—

this would all make sense. With a higher value for the mark, export demand would be cut and import demand raised—reducing the inflationary pressures on the German economy. Then, too, there would be less need to worry about raising taxes to cover the cost of a big development aid program.

Whatever Erhard's motives may have been, the Kennedy Administration has no intention of letting Bonn forget the commitments that Brentano made on defense and aid. Indeed, if London's fears should pan out, and there is increased instability in world currency markets, Washington might well put even more heat on the West Germans.

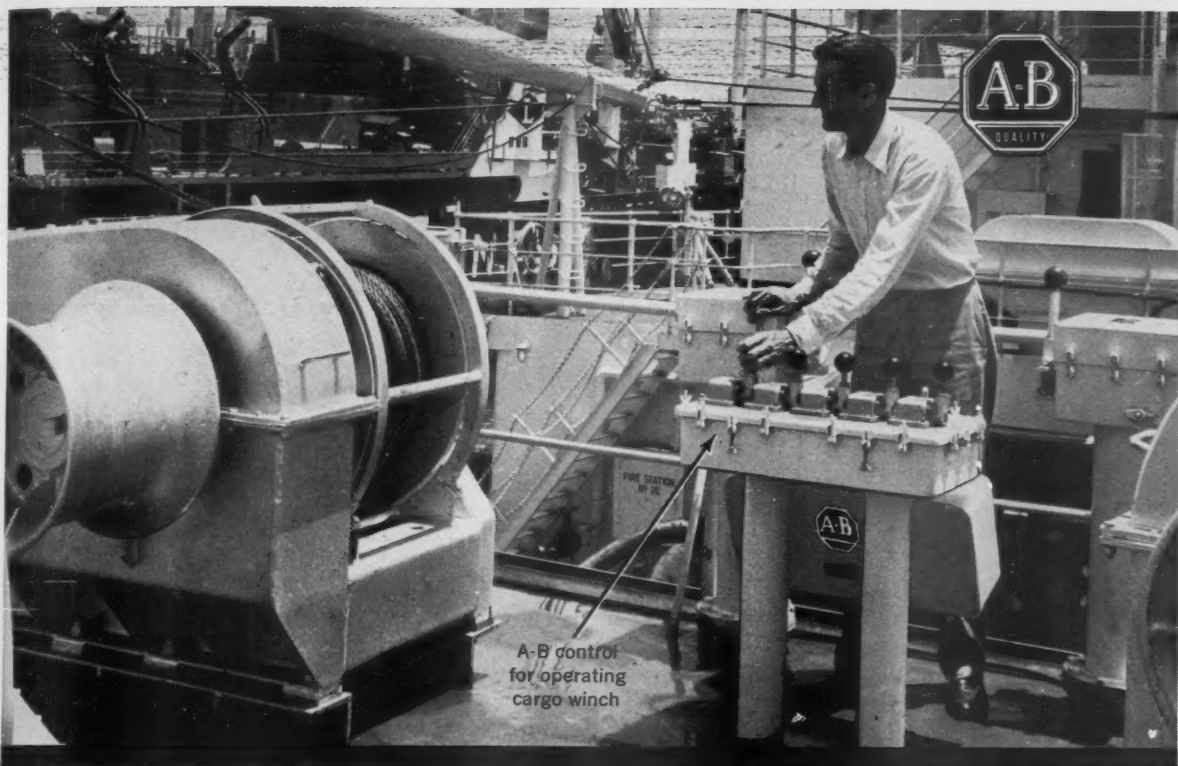
It's likely, too, that the U.S. Treasury will press the International Monetary Fund to speed up its plans for making existing international reserves more effective. Apparently the IMF is considering a further increase in quotas beyond the increase put into effect in 1958, but this time without members putting up any extra gold. If this were done, the IMF would have additional reserves of all the major currencies, and these could automatically be made available to members that were under temporary pressure.

- **Stiffer Competition**—Meanwhile, German industrialists and foreign traders all over the world are trying to figure out what revaluation of the mark will mean to them. About the only thing certain at this point is that German competition won't be quite so stiff in world markets as it was, while German industry will face somewhat stiffer competition from foreign producers in its home market.

The big question is how much German manufacturers can—and will—cut prices. In many lines, they can probably absorb the 5% increase in the value of the mark and deliver goods in, say, the U.S. market at the same price in dollars. But profit margins in some industries already are so slim that it will be difficult to absorb the full 5%.

The auto industry figures that some loss in its export markets will be inevitable. Volkswagen, the leading exporter to the U.S., has not decided yet what to do about prices in the U.S. In Britain, VW prices reportedly will be raised. Daimler-Benz, with delivery times of up to two years, probably will increase its export prices.

The German chemical industry fears that it will be hit harder than any other. Chemical producers already are worried about American sales of chemical products in Germany.



## 700 Trouble Free Motor Controls on Five New Cargo Vessels

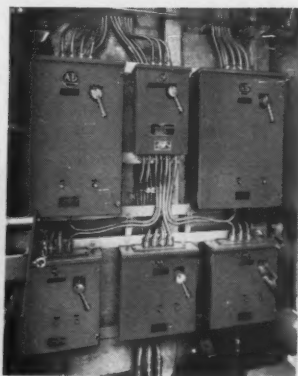
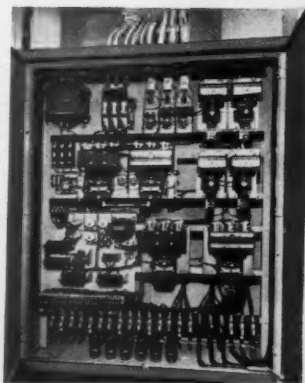


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Five A-B Bulletin 301R reversing starters for winch motors plus Vang protective relay panel.

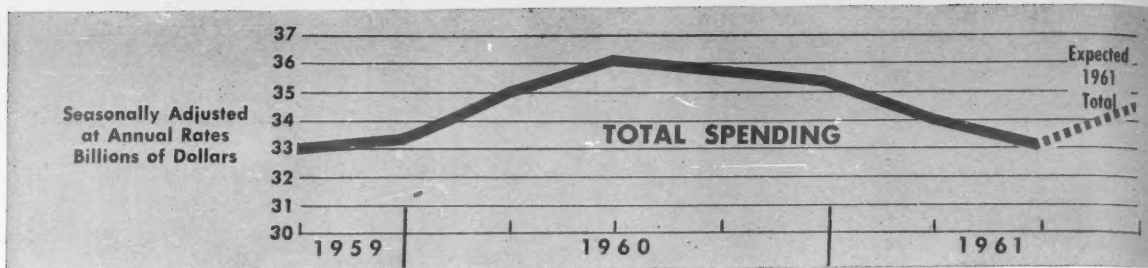
A-B Bulletin 306 automatic controller for the anchor windlass.

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## Expenditures for New Plant and Equipment by U. S. Business

Quarterly 1959-1961, Seasonally Adjusted at Annual Rates (Billions of Dollars)	1959		1960				1961		Expected 1961 Total
	July-Sept.	Oct.-Dec.	Jan.-Mar.	Apr.-June	July-Sept.	Oct.-Dec.	Jan.-Mar. <sup>2</sup>	Apr.-June <sup>2</sup>	
<b>Manufacturing</b> .....	\$12.25	\$12.85	\$14.10	\$14.70	\$14.65	\$14.40	\$13.8	\$13.6	\$14.11
Durable goods industries .....	5.85	6.15	7.15	7.40	7.35	6.85	6.5	6.5	6.81
Iron and steel .....	.90	1.15	1.60	1.60	1.75	1.45	1.4	1.3	
Nonferrous metals .....	.30	.30	.30	.30	.30	.30	.30	.3	
Electrical machinery .....	.55	.55	.60	.65	.70	.75	.7	.6	
Other machinery .....	.95	.95	1.15	1.15	1.05	1.05	1.0	1.0	
Autos, trucks and parts .....	.70	.75	.80	.90	.95	.90	.8	1.0	
Transportation equipment .....	.40	.40	.45	.40	.40	.40	.4	.4	
Nondurable goods industries ..	6.40	6.70	6.95	7.30	7.30	7.55	7.3	7.2	7.41
Food and beverages .....	.85	.85	.90	.90	.95	.90	1.0	1.0	
Textile mill products .....	.45	.50	.50	.50	.60	.55	.6	.5	
Paper and allied products ...	.65	.70	.70	.75	.80	.75	.8	.7	
Chemicals and allied products ..	1.30	1.30	1.45	1.60	1.65	1.65	1.5	1.6	
Petroleum and coal products ..	2.45	2.55	2.55	2.70	2.50	2.80	2.5	2.6	
<b>Mining</b> .....	1.00	1.05	1.00	1.05	1.00	.90	1.0	1.0	.91
Railroad .....	1.30	.85	1.00	1.10	1.00	1.00	.7	.6	.61
Other transportation .....	2.15	2.15	2.00	2.15	1.90	1.80	1.9	2.1	1.81
Public utilities .....	5.60	5.50	5.75	5.70	5.60	5.70	5.6	5.9	6.21
Commercial and other .....	11.05	11.20	11.35	11.60	11.75	11.65	11.5	10.6	10.81
<b>TOTAL ALL BUSINESS</b> .....	33.35	33.60	35.15	36.30	35.90	35.50	34.4	33.8	34.51

<sup>2</sup> Estimates are based on anticipated expenditures reported by business in late January and February, 1961.

Data: Dept. of Commerce — SEC.

©BUSINESS WEEK

# A Milder Dip Than Expected

Businessmen plan to cut capital spending this year only 3% under 1960; the government reported this week. That decline is much smaller than most people had expected.

The small size of the cut is being hailed by government analysts as an indication that the recession will be mild and that businessmen sniff recovery in the next few months.

Government officials would not have been surprised by a reduction somewhere between 5% and 10%. In the McGraw-Hill capital spending survey published last November (BW-Nov. 19'60,p46), businessmen said they expected to cut 3% in 1961. With an almost unbroken series of discouraging business statistics since then, it looked reasonable to expect that the survey released this week by the Securities & Exchange Commission and the Com-

merce Dept. would show a much deeper slash. In the 1958 recession, for example, capital outlays dropped 17% from the year before.

• **Expect Sales Rise**—In this week's survey, business also reported a moderately optimistic view of sales trends. Hardgoods manufacturers expect sales to rise 2% during the year; autos and steel expect lower volume, but every other hardgoods industry expects gains. All the major nondurable manufacturers expect sales to rise; a rise of 3% or 4% is mentioned most often. Public utilities expect a 7% rise, and companies in trade believe volume will rise 4%.

• **Today's Planning**—Present plans call for \$34.57-billion of outlays for new plant and equipment this year, businessmen reported. The SEC-Commerce survey is the first government

report on plans in the year as a whole.

Of the \$34.57-billion, \$16.38-billion is being planned for the first six months and \$18.19-billion for the second half of the year. As businessmen now see the rest of the year, plant and equipment spending in the 1960-61 recession is at its lowest point in the current quarter, with rises expected from now on.

A substantial cut in iron and steel company outlays—from \$1.6-billion in 1960 to \$1.22-billion this year—chiefly responsible for a 7% drop in the plans of the durable goods industries. Auto companies, however, expect an increase from \$890-million to \$1.13-billion.

The nondurable industries as a group expect an increase of 2% over 1960, led by the chemicals and petroleum industries.

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# In Business

## Antitrust Suit Against Soap Companies Dismissed at Request of Government

A federal judge has dismissed the antitrust suit against three soap companies and a trade organization, at the request of the Justice Dept.

The government had accused Procter & Gamble Co., Colgate-Palmolive Co., Lever Bros. Co., and the Assn. of American Soap & Glycerine Producers, of conspiring to restrain trade and monopolize the household soap and detergent industry.

In asking dismissal, the Justice Dept. said the industry had changed radically since the suit was filed in 1952, due to the shift from soap to detergents.

The suit never reached trial, but boiled up explosively in early stages when the companies objected to the antitrusters use of grand jury testimony in drawing up a civil complaint. This issue got clear to the Supreme Court, though the eventual ruling—that the government had abused the grand jury process—was made by Federal District Judge Richard Hartshorne in New Jersey.

## Atlanta Stores and Negro Groups Reach Accord That Will Desegregate Eating

City leaders in Atlanta this week reached a peaceful solution of the racial troubles that for months have brought sit-ins and demonstrations at department stores and chain stores.

The pact, signed by stores and Negro leaders, calls for an immediate halt to the demonstrations, and for the desegregation of the stores' eating facilities within a "reasonable time" after the integration of Atlanta schools, presumably next fall. Meanwhile, restaurants and lunch counters will reopen at once on a segregated basis.

The dozen-plus stores and chains signing the pact included Rich's, Davison's, Sears Roebuck, Woolworth, Kress, McCrory, Grant, H. L. Green, and Kresge. Negro groups were represented by ministers and civic and student leaders.

Mayor William B. Hartsfield called the pact a "statesmanlike" solution, while Chamber of Commerce Pres. Ivan Allen, Jr., described it as a "progressive" step.

## AT&T Creating a Separate Company To Handle Pacific Northwest Operations

Mother Bell is about to produce her first offspring in 25 years, and the blessed event—with its prospect of brand-new stock and bond issues—is creating quite a stir.

American Telephone & Telegraph Co. is carving a new operating subsidiary—to be known as Pacific Northwest Bell Telephone Co.—out of Pacific Telephone & Tele-

graph Co., the fastest growing and by some measure the largest operating unit in the Bell System. Pacific Northwest will take over all Bell operations in Oregon, Washington, and Idaho.

The new company, in exchange for PT&T's assets in three states, will deliver some \$335-million (par value) common stock and \$200-million in bonds to PT&T. In turn, PT&T intends to sell "promptly" \$190-million (par value) to its stockholders at a price still to be determined. Of this stock, about 90% will go to AT&T, the balance will go to PT&T's 35,000 public stockholders.

## Court Hits Pan Am's 50% Ownership Of Panagra, Sees Antitrust Breaches

For 20 years Pan American World Airways, Inc., and W. R. Grace & Co. have been bitterly fighting over their jointly owned Pan American-Grace Airways, Inc. (BW—Mar.30'57,p46). Now it appears that a federal court may have settled the feud in favor of Grace.

In 1954 the Justice Dept. brought suit against Pan Am, Grace, and Panagra under the Sherman Antitrust Act. The complicated case wasn't heard until 1959; the decision was handed down this week. In it, the court found Pan Am guilty of violating the antitrust laws by restraining trade in air traffic to South America. It ordered Pan Am to show cause why it should not be required to divest itself of its 50% interest in Panagra. Complaints against Grace and Panagra were dismissed.

Panagra flies from Balboa, C. Z., down the west coast of South America to Santiago—roughly paralleling the route of W. R. Grace's steamship company, the Grace Line—and then across to Buenos Aires. Pan Am planes are flown from New York to Miami by National Airlines, Inc., and from Miami to Balboa by Pan Am. Pan Am's own route from New York to Buenos Aires extends along South America's east coast.

At midweek, Riddle Airlines, Inc., was ready to sign a merger agreement with Aerovias Sud Americana Internacional. The deal would extend Riddle cargo service from the northern U.S. cities beyond Miami as far south as Lima, Peru. The \$325,000 stock deal is subject to CAB approval.

## Atomic Merchant Ship Held Safe For Use in New York Harbor

The nuclear ship Savannah has been given preliminary clearance to use New York harbor by the city Health Dept. The 12,000-ton cargo-passenger vessel is beginning final fitting out of its propulsion reactor.

However, the Health Dept. has asked that it allow state experts to be allowed to review all phases of the possible hazards before they reach a final decision on allowing the Savannah to use the port.

Besides the New York officials, a long list of witnesses for government and the contractors testified favorably on the ship's safety at Atomic Energy Commission hearings. AEC will now consider authorizing the Savannah to operate.



# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
MAR. 11, 1961



Pres. Kennedy will rule against a tax cut for consumers when he takes his promised new look at anti-recession needs the middle of next month.

**That's the Administration view now, a consensus of key officials.**

It's based partly on signs of business upturn: steel production, retail trade, construction, carloadings. Some of this is just springtime lilt, but Administration officials are in a mood to look at the bright side.

**Mostly the opposition to a tax cut stems from Kennedy's own views.**

He's against even a temporary tax reduction. He doesn't want to increase the deficits he already foresees for this fiscal year and next. In addition, he doesn't want to do anything that might lower tax revenues over the long run.

**Kennedy is more than ever a high-tax, high-spend man.** Seven weeks of decision-making as President seem to have confirmed this earlier attitude.

**A sudden worsening of the economic outlook would change Kennedy.** Right now, he fires anti-tax cut arguments at White House visitors with the conviction of a man who has made up his mind.

—•—

**Kennedy is ready to yield a little on nuclear test inspections if the Soviets show any flexibility when negotiations resume next month in Geneva.**

The new U. S. negotiator, Arthur H. Dean, may not insist on 20 on-site inspections a year inside Russia, for example, as Pres. Eisenhower did. But the Soviets will have to do a lot better than their offer of three inspections a year, which is as high as they've gone after 28 months of haggling.

**Time is running out on limiting nuclear tests.** Pressure from the military, the Atomic Energy Commission, and Congress to resume underground testing is rising. It could be irresistible if Red China explodes nuclear devices while the Geneva talks drag on—which could happen.

**The Chinese threat could soften Khrushchev.** He may decide that his own interest would be best served if an international test ban is in existence before his belligerent ally joins the nuclear powers. If neither this nor anything else sways the Soviets, then Kennedy will probably order testing resumed later this year.

—•—

**Old Kennedy hands keep power as the White House staff settles into the routine of government.**

**New aides still jockey for position and influence while Kennedy relies chiefly on the men who worked for him while he was a senator.**

**Theodore C. Sorensen personally checks every policy matter before it gets to the public.** He has been Kennedy's chief confidant, idea-sifter, and speech writer for five years.

**Kenneth O'Donnell has the President's ear on tactical matters and administrative details,** sees Kennedy more often than anyone else. O'Donnell keeps the appointment book.

**Lawrence F. O'Brien has full authority of liaison with Congress and** 41

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
MAR. 11, 1961

shares patronage decisions with Democratic National Committee Chmn. John Bailey. Both O'Donnell and O'Brien are old campaign associates of Kennedy.

**Four newer aides are coming up fast:** McGeorge Bundy on National Security Affairs; Walt W. Rostow on security and foreign policy; Budget Director David E. Bell; and Walter W. Heller, chairman of the Council of Economic Advisers.

**Kennedy is having trouble with the size of his staff.** His first idea was to hold to 15 professional aides. The number is closer to 40 now. By Kennedy's count, Eisenhower had 53.

**Richard M. Nixon acts like a candidate for governor of his home state, California.** In his first public appearance since bowing out as Vice-President, Nixon this week made all the right political moves, even to saying he is not a candidate for anything. He spoke at a banquet attended by Gov. Edmund G. Brown, the man he would run against next year if he tries for the governor's mansion.

**Backers of Sen. Barry Goldwater will try to force an early decision from Nixon.** They are telling Republicans in California that Nixon is dead politically unless he announces early and goes on to defeat Brown.

**Nixon's closest California backers oppose a race against Brown.** They think he can get the GOP nomination and defeat Kennedy in 1964 without taking the risk.

**A good bet is that Nixon will run against Brown only if Gov. Nelson Rockefeller of New York begins to look like a strong challenger for the GOP nomination in 1964.**

**A sharper look at consent decrees in antitrust cases is recommended by Lee Loevinger, who will head the Justice Dept.'s Antitrust Div.**

**Loevinger feels that consent decrees too often keep the government from taking further antitrust action if conditions change in the future.** He also thinks companies accept the device to escape punishment.

**Loevinger has given his views to Atty. Gen. Robert F. Kennedy.** This week, Loevinger told a Congressional committee that Kennedy agrees.

**A new set of ground rules for the Business Advisory Council will be laid down when the council meets in Washington next week.** Commerce Secy. Luther H. Hodges is urging changes.

**The council has been meeting with key government officials since early in the New Deal under rules drawn up pretty much by the members themselves, mostly top executives of large companies.** Hodges believes the council should take in small businessmen, should not meet any more behind closed doors with government officials, and should produce a series of studies on specific problems confronting business and government.

**This will mean a stronger hand for government in council affairs, more publicity about its meetings, and perhaps minimize the social activities that have highlighted twice-a-year meetings of the council outside of Washington.**

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## FINANCE

### MERGERS:

### ...WHAT'S BEHIND THEM

**NATIONAL DISTILLERS & CHEMICAL CORP.**  
*with*  
**BRIDGEPORT BRASS CO.**

Combine National Distillers' knowhow in producing special metals (for example, titanium and tantalum) with Bridgeport Brass' experience in sales and fabrication.

**CLUETT, PEABODY & CO., INC.**  
*with*  
**BOYD-RICHARDSON CO.**

Cluett, Peabody, an old line manufacturer of men's shirts, is expanding into retailing for the first time.

**KAISER ALUMINUM & CHEMICAL CORP.**  
*with*  
**KAWNEER CO.**

Combine primary aluminum production (Kaiser) with fabrication (Kawneer).

### TAKEOVERS:

**LING-TEMCO ELECTRONICS, INC.**  
*bidding for*  
**CHANCE VUGHT CORP.**

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**MARTIN CO.**  
*buying into*  
**GENERAL PRECISION EQUIPMENT CORP.**

Diversification—Martin wants to be a complete defense systems contractor.

**BELL INTERCONTINENTAL CORP.**  
*bidding for*  
**INTEX OIL CO.**

This one-time major defense supplier (formerly Bell Aircraft) sold its defense business, is now reinvesting its capital. It wants a stake in oil as a hedge against inflation.

### PROXY FIGHTS:

**ALLEGHANY CORP.**

Murchison brothers of Dallas want to unseat Alleghany's present management, to gain control of Investors Diversified Services, Alleghany's most successful investment.

**SEIBERLING RUBBER CO.**

Toledo financier Edward Lamb, steadily increasing his stake in Seiberling, wants to oust the Seiberling family management to "strengthen and build" the company.

**CHRYSLER CORP.**

Detroit attorney Sol A. Dann, long a foe of Chrysler chairman L. L. Colbert, has moved to start a proxy fight to get a new management for the No. 3 automaker. ©BUSINESS WEEK

# A Pattern Begins to Take Shape

Businessmen are always talking merger. But, as the table shows, they are doing more than talking these days. Companies are changing hands right and left as management, flush with cash, tries to improve profits.

Take just one example of how fast this game of corporate musical chairs is moving:

On Feb. 1, Crane Co., a leading plumbing manufacturer, sold its Powdered Metals Div., which had been losing money, to the Glidden Co.,

a big Cleveland-based chemical company. The price was about \$1-million.

Three weeks later, Glidden sold its "chemurgy" operation to Central Soya Co., under the terms of a 3-year lease to Central Soya that contained an option to buy. The option price was about \$8.6-million.

Then, on Mar. 3, Crane arranged to buy Midwest Piping Co., Inc., for about \$17.6-million.

However, it's not always a case of amicable negotiations in the seclusion

of a board room. In fact, an increasing number of companies are being acquired against the opposition of management by outside groups that bid for a controlling stake in the common stock on the open market.

## I. Why Merge?

There are all kinds of reasons why companies want to merge—almost as many as there are mergers. But if you question corporate financial men





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closely, you begin to see a pattern in the spurt in merger activity.

One important factor is that the slowdown in business has left many corporations flush with surplus cash. Some of this money has been invested at short-term in the money market—ready to go back to work when the economy recovers.

Another portion has gone into European subsidiaries, which have been booming. But a significant amount has been employed in buying new businesses—to better a company's market position and to bolster its profit performance.

• **Merger Routes**—This high degree of corporate liquidity helps explain why there have been so many takeover bids. A takeover involves laying out cash, in contrast to the more conventional method of exchanging stock that is used in most merger negotiations. In some cases, corporations with excess funds have been buying minority stakes in companies they feel are depressed.

This doesn't mean that stock swaps have gone out of style. In fact, when a company is selling in the market at a high price-earnings ratio, an exchange of stock can be highly beneficial. For example, last fall when Coca-Cola Co. merged with Minute Maid Corp., it was able to pay a relatively low price—in terms of the value of its own shares—just because it traditionally has had a higher price-earnings multiple than Minute Maid. Otherwise, Minute Maid stockholders might have balked at selling out for just a little more than 10 times the earnings their company expected in 1960.

• **Bolstering Weaknesses**—Some companies are merger-minded because a recession reveals internal weaknesses. As sales and profits slump, management starts looking for ways to bolster its performance. The answer, more often than not, is diversification, and the easiest way to do this is to buy another company. In the electronics industry, for instance, the number of mergers is climbing sharply as bigger companies grab some of the smaller ones.

Normally, when business drops off, the number of mergers drops as well. This has been true in virtually every business decline since 1890. But, according to the Federal Trade Commission, there were 1,012 mergers proposed in 1960, compared with 1,050 in 1959 and only 889 in 1958. The drop in the number last year was much less than normal in a recession. The fact that so many companies have been proposing mergers lately may be a sign that business is about to turn upward.

• **Rolling in Cash**—You don't have to look very far for proof that companies are rolling in cash, and are anxious to get it to work. Take Amerace

Corp. Last year, this company sold an unprofitable subsidiary, Bachmann Uxbridge Worsted Co., to Indian Head Mills, Inc. (BW—Dec. 10 '60, p. 71).

From this sale, and from earnings in its other divisions, Amerace has piled up about \$18-million in cash and marketable securities, compared with \$9.5-million a year earlier. In addition, it cut its long-term debt by \$2.7-million.

With this pile of cash available, Amerace feels that it "is in excellent condition to capitalize upon opportunities for favorable acquisitions." In fact, it is doing just that. Last December, Amerace started merger talks with Elastic Stop Nut Corp. of America. As part of a preliminary deal with ESNA, Amerace agreed to buy 315,000 shares of ESNA at \$25 a share at a time when the stock was selling at about \$18 a share.

Ultimately, the merger talks collapsed, but Amerace went ahead with its original stock purchase offer anyway. The company says it did this out of a "moral commitment" it feels it has, since the purchase offer was made public; many people bought ESNA stock in the expectation of getting \$25 a share. But it's also clear that Amerace wants to get its \$18-million invested, and that ESNA looks like a good investment to it.

There's a similar situation at Bell Intercontinental (formerly Aircraft) Corp., which has about \$20-million in cash to invest. That's approximately the proceeds from Bell's sale of its defense business to Textron, Inc. About \$3.2-million of this will go to buying a controlling interest in Intex Oil Co. and, according to Pres. James F. Connaughton, "several" other acquisitions are on the fire.

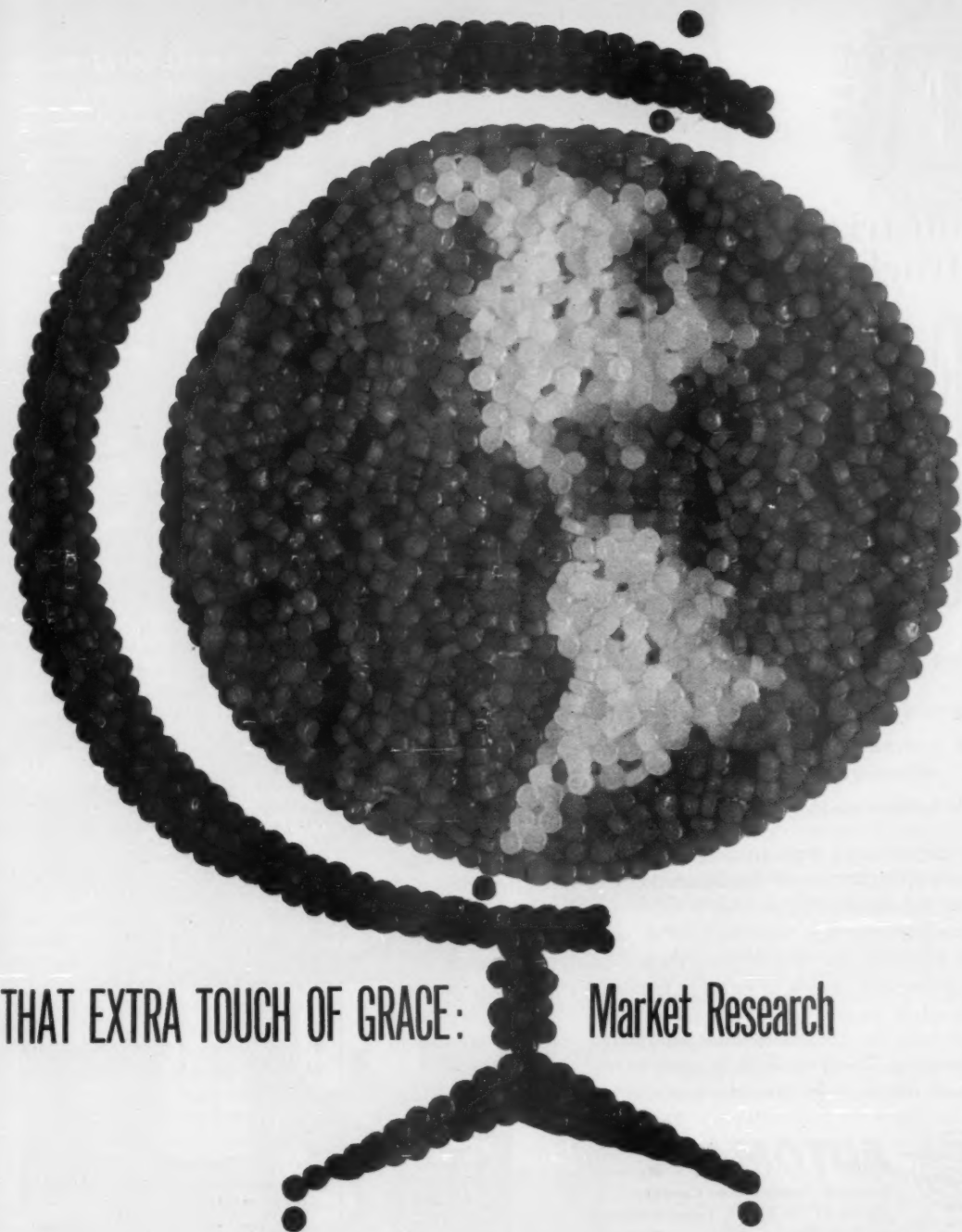
Sale of assets, of course, isn't the only way companies have been building surplus reserves. As always happens when business drops off, cash has been piling up from operations faster than it can be put back in the business. This, too, is spurring mergers.

## II. The Restraining Hand

But the new merger wave isn't likely to run away as it did around the turn of the century—when giant corporations such as U.S. Steel were put together—or as it did in the late 1920s, when holding companies were the rage.

This is partly because of the restraining hand of the Justice Dept.'s Anti-trust Div. Already, Justice has moved to slow, if not halt, mergers among the nation's largest banks (page 52).

Private pressures also tend to slow the rush to merge. The rail mergers—which many observers say are essential if the industry is to survive under private ownership—have bogged down in com-



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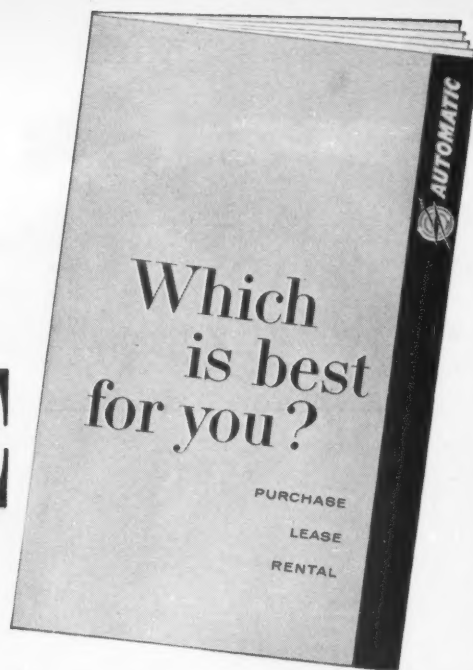
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petitive bickering among the major roads. And in two significant cases recently—Ling-Temco Electronics, Inc.'s bid to take over Chance Vought Corp. and Martin Co.'s bid to acquire General Precision Equipment Corp.—private suits under the antitrust laws have been filed to block takeovers. Last year, Briggs Mfg. Co. was successful in just such a suit against Crane Co.

• **Loss Stoppers**—The Justice Dept. won't stop—or even try to stop—all mergers. The forces that lead to merger are stronger than ever, and the best that Justice can hope to do is slow the trend. Often, when one deal is blocked, that simply sets the stage for another. The pending merger of Midland-Ross Corp. and Industrial Rayon Corp. is a case in point.

In recent years, IRC has been operating in the red, but it has a strong cash position and a book value well above current stock price. Last year, in an effort to cut its losses, IRC proposed a merger with Texas Butadiene & Chemical Corp. But to get TB&C—which has been highly profitable and is growing fast—to agree to merge, IRC had to make concessions that angered a minority group of IRC stockholders. When they threatened legal action, at the last moment the deal fell through.

To salvage what was left, IRC sold its non-rayon business to Hercules Powder Co. and started a drastic cutback of its payroll.

• **The Other Side**—For its part, Midland-Ross has also been diversifying to save itself from the problems of a diminishing market—and it has been highly successful. As recently as 1957, Midland was 100% in auto parts, and about 85% of this was in auto frames, mostly for passenger cars. Midland foresaw the trend to unitized (no frame) construction and decided to diversify before it lost its business. Since then, Midland has gone through a series of mergers that have put the company heavily into capital goods.

Now, in its merger with Industrial Rayon, Midland-Ross feels that its diversification will be helped significantly. It expects that the tire business, which is IRC's principal customer—with its heavy replacement demand—will be much less cyclical than the auto industry.

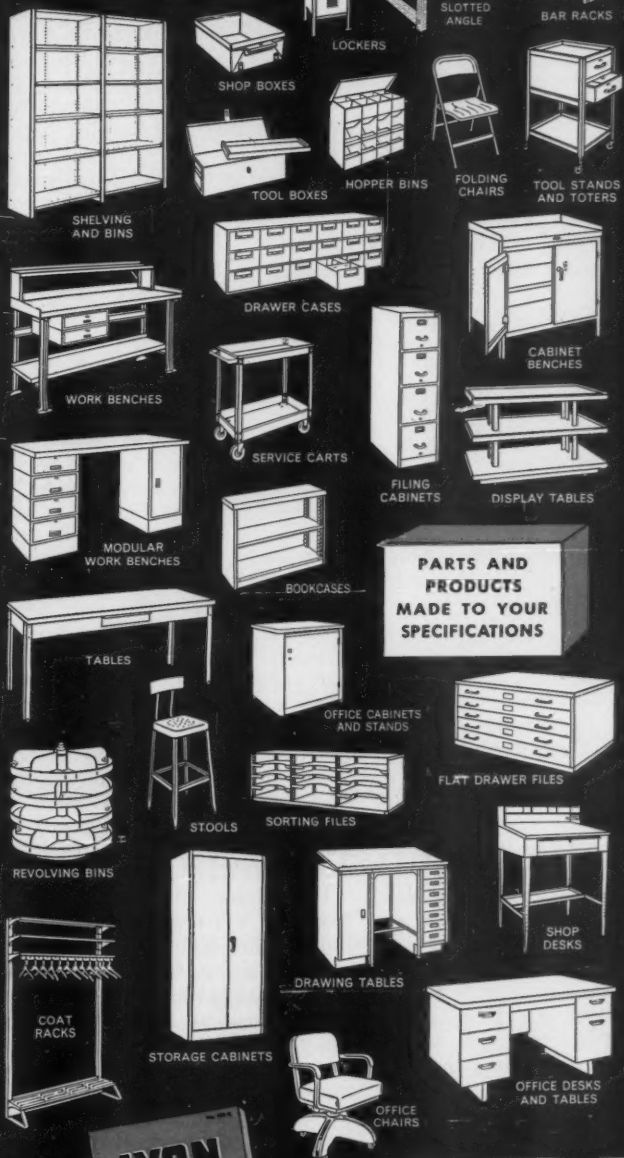
• **Profit Aids**—Most mergers are also accompanied by economies that often can be significant in improving profit margins. And among defense contractors, building up your size is crucial if you want to be a prime contractor, rather than a sub.

"This," says Henry W. Harding, president of Laboratory for Electronics, Inc., in Boston, "is why we want to grow bigger faster through acquisitions." **END**



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## Triple Blow at Bank Mergers

Justice Dept. attacks three proposals in court, scaring bank stock prices into a decline. Geographical definition of "banking markets" is likely to be a key point.

The Justice Dept. threw a real scare into the banking industry last week when it filed, in rapid succession, anti-trust suits aimed at blocking two proposed bank mergers and a bank holding company acquisition (BW-Mar. 4'61,p28). All three amalgamations had been approved by other federal agencies, which indicates that the new bank merger law—designed to promote uniformity in judging bank mergers—hasn't been too successful.

The drive began with a suit to stop the merger of Philadelphia National Bank with Girard Trust Corn Exchange Bank, the second and third largest in the city. A few days later, the government filed to prevent the first and fourth largest banks in Lexington, Ky. from getting together. And finally it moved against Bank Stock Corp. of Milwaukee, which had sought to acquire two banks in the city. Bank Stock Corp. controls Marshall & Ilsley Bank, the second largest bank in Milwaukee, and if the acquisition should get through, would control about 22.5% of the city's bank deposits.

• **Stock Slide**—The worry and uncertainty over the suits was promptly reflected in the prices of bank stocks. The prices, which had risen sharply on a rash of merger and holding company proposals, dropped back. Morgan Guaranty Trust Co., for example, which hopes to form the nation's largest bank holding company by combining with six of the largest banks in upstate New York, had traded as high as \$122.50 before the news broke; at midweek, it was down to \$113, and still dropping.

It isn't clear yet just what criteria the Justice Dept. is applying on merger proposals. But bankers think they see a pattern emerging: If a proposed merger or holding company involves concentration of less than 20% of the banking assets in a specific "banking market," then the merger or holding company is free to go through. A combination involving 25% of the banking assets is likely to be a "near thing"; and a 30% combination is almost sure to face trouble from Justice.

On this basis, bankers say, the proposed merger of Manufacturers Trust Co. and Hanover Bank ought to be a "shoo-in." The combined bank will control only 14% of the banking assets in New York City, well under the danger zone. However, Morgan Guar-

anty's proposed holding company seems certain to face a suit. So do the proposals by the Bankers Trust Co. to form a holding company with County Trust Co., the largest bank in suburban Westchester County, and by First National City Bank to merge with the National Bank of Westchester, second largest in the county.

• **Matter of Definition**—A lot will depend on how the antitrusters define the "banking market" in which excessive banking concentration is alleged. For example, if Westchester County is taken by itself as a banking market, then mergers or holding company acquisitions will be virtually impossible. County Trust already has 50% of bank assets in the area. But if Westchester is considered part of the New York metropolitan area—as New York City bankers insist—the story would be entirely different.

• **Under Which Law?**—How far the Justice Dept. gets will also depend on whether the interpretation of the Sherman and Clayton Acts, which was first propounded in Philadelphia National Bank suit, is accepted by the courts. Under the Sherman Act, the courts have generally required that a severe impact on competition be proven before they will block a merger; in the Philadelphia case, Justice thinks that it can prove this, since the new bank would hold 37% of the city's banking assets.

In addition, the antitrusters have charged a Clayton Act violation, even though the deal was set up as an asset acquisition. Up to now, such deals were considered exempt from Clayton Act prosecution—a circumstance that has proved highly beneficial to banks, since the competitive standards under the Clayton Act are much lower than those under the Sherman Act. Now, Justice is claiming that the asset acquisitions are in reality stock acquisitions, which the Clayton Act covers.

Atty. General Robert F. Kennedy insists that the series of suits does not indicate that the government is launching a "bigness is badness" antitrust campaign. It's true that the complaints were under preparation before Kennedy took over. Says a Justice spokesman: "Size per se is not a consideration. A merger could be huge or middle-sized; what we worry about is whether it will affect competition and create a monopoly in a specific area." **END**



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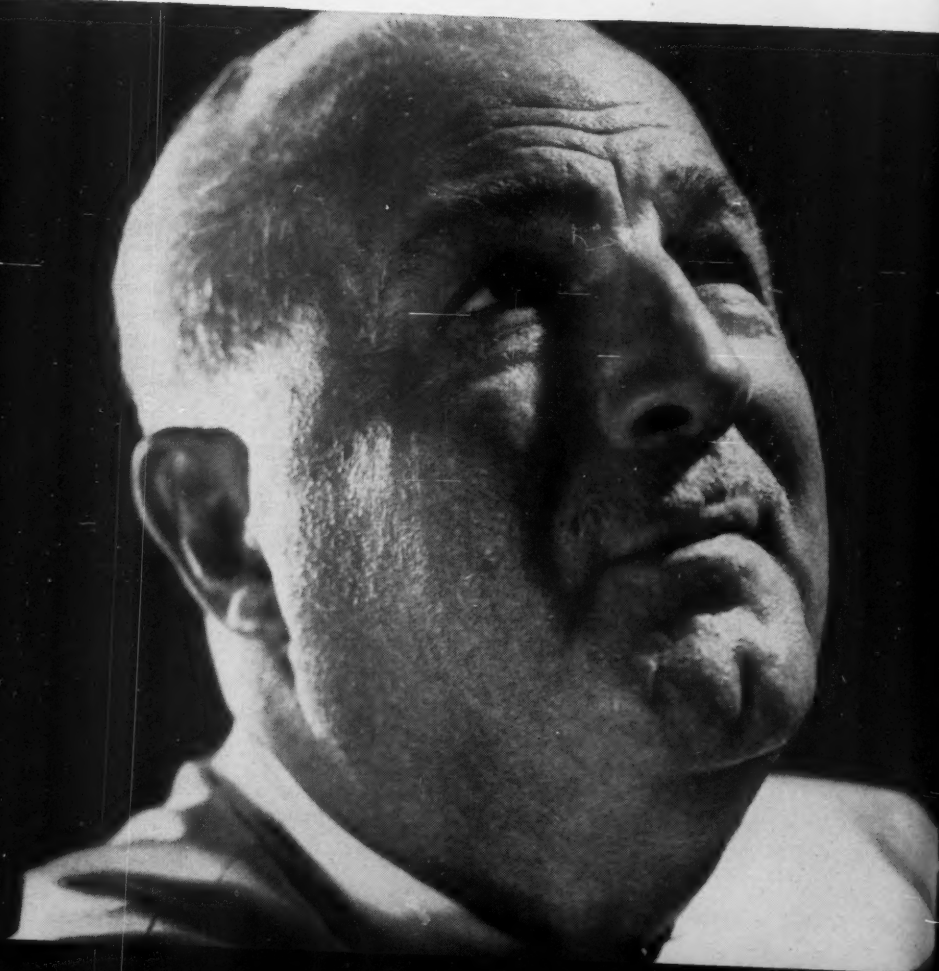
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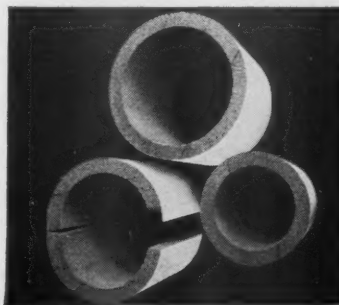
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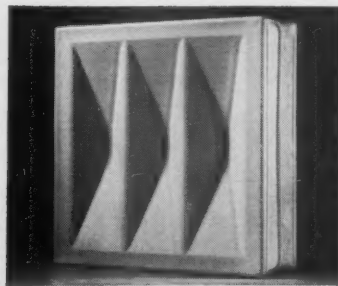
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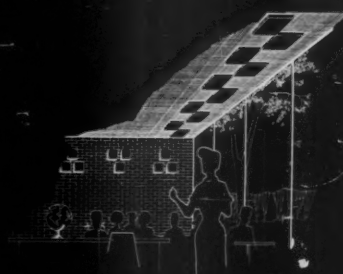
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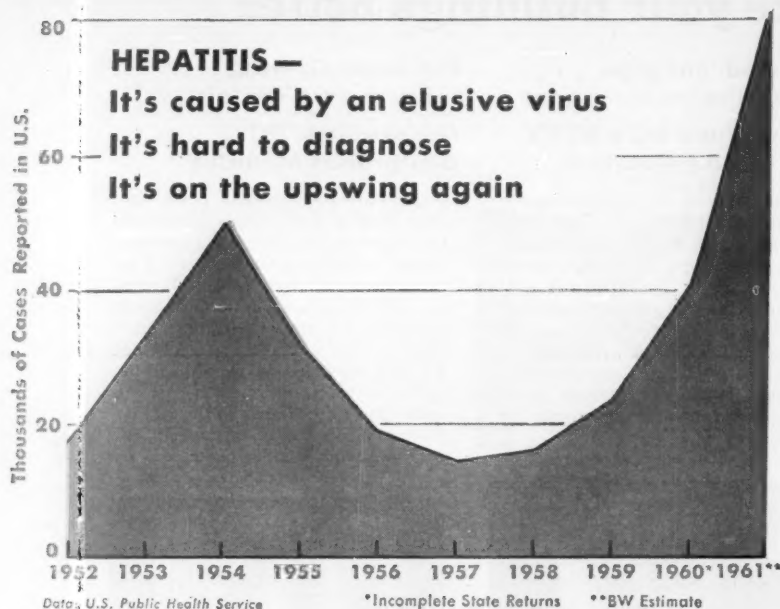
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## RESEARCH



# Wanted: A Vaccine To Stamp Out Hepatitis

This year, as many as 80,000 cases of hepatitis may be reported in the U. S.—almost double the number recorded in 1960, and the highest since the Public Health Service started to keep records on the disease in 1952.

The figure is even more ominous when it's coupled with medical estimates that reported cases represent only a small fraction of the number of Americans who will be stricken with the disease this year. Possibly 90% of those who contract hepatitis suffer symptoms so disguised or so mild that the presence of the disease goes undetected.

So far, there is no known cure for hepatitis. Only gamma globulin, given in plenty of time, seems to decrease the effect of the disease on the liver. Many health experts fear that—unless the laboratories come up soon with a miracle drug or vaccine—the disease will erupt as a major public health menace.

• **Complications**—Conducting a hepatitis research program is something of a medical nightmare. One complication is that there is no sure way either of preventing people from coming in contact with the viruses that cause the disease, or of determining early that the patient has been attacked.

Another factor is that the disease has two forms—indicating that there are at least two distinct viruses involved.

Type A—sometimes called infectious

hepatitis—is a contagious, epidemic disease, transmitted through contaminated drinking water, food, and sewage. It has a mortality rate of less than 0.2%.

Type B—serum hepatitis—is a truly dangerous disease. It can be transmitted through improperly sterilized hypodermic needles, or by transfusions of blood or plasma.

• **Frustrating Quest**—So far, all efforts have failed to come up with a simple, sure method of testing human blood for the presence of hepatitis viruses, or for detecting carriers by other methods. This means that people who are exposed to the more virulent Type B are usually the same people who, because of some other health problem, are especially susceptible.

Doctors even think that Type B virus can remain latent in liver cells for years, only to be revived by, say, unusual exercise or an emotional upset.

Before there can be any hope for a cure, the viruses that carry the disease through the blood system must be isolated. So far, this has been one of the most frustrating and fruitless quests in recent medical history.

Hepatitis viruses apparently are relatively insensitive to heat, cold, ultraviolet light, and most chemicals. They can't be grown by conventional tissue culture methods, and the attempt to study them in laboratory animals has

failed because no animal—other than man—is a good host subject.

• **Breakthrough**—In the face of all these odds, the hunt for clues to the hepatitis virus mystery is going on. The most hopeful news is coming from the laboratories of Parke, Davis & Co., the National Institutes of Health, Cutter Laboratories, Inc., and the Communicable Disease Center in Phoenix.

In 1954, Parke-Davis began testing the blood of hepatitis victims for any unusual or suspicious agents. In 1956, one particular agent was found to be common to 90% of patients diagnosed as suffering from the disease. The catch was that the same agent appeared in the blood of from 10% to 15% ostensibly healthy people.

Since then, Parke-Davis has concentrated on cultivating outside the body the agent suspected of being the cause of at least one form of hepatitis—and growing it in sufficient concentration to make a test vaccine.

Now, Parke-Davis is almost ready to start a small clinical test to determine whether a vaccine made from an agent taken from the blood of hepatitis victims can immunize against the disease. The company is so sure of its vaccine that it is talking, cautiously, of a nationwide test "within a year." After that, mass availability of the vaccine might then take another three years.

Skeptics fear that it will be hard to substantiate the theory that the virus Parke-Davis is using to grow its vaccine is, indeed, a causative agent of hepatitis—and to prove it on human beings.

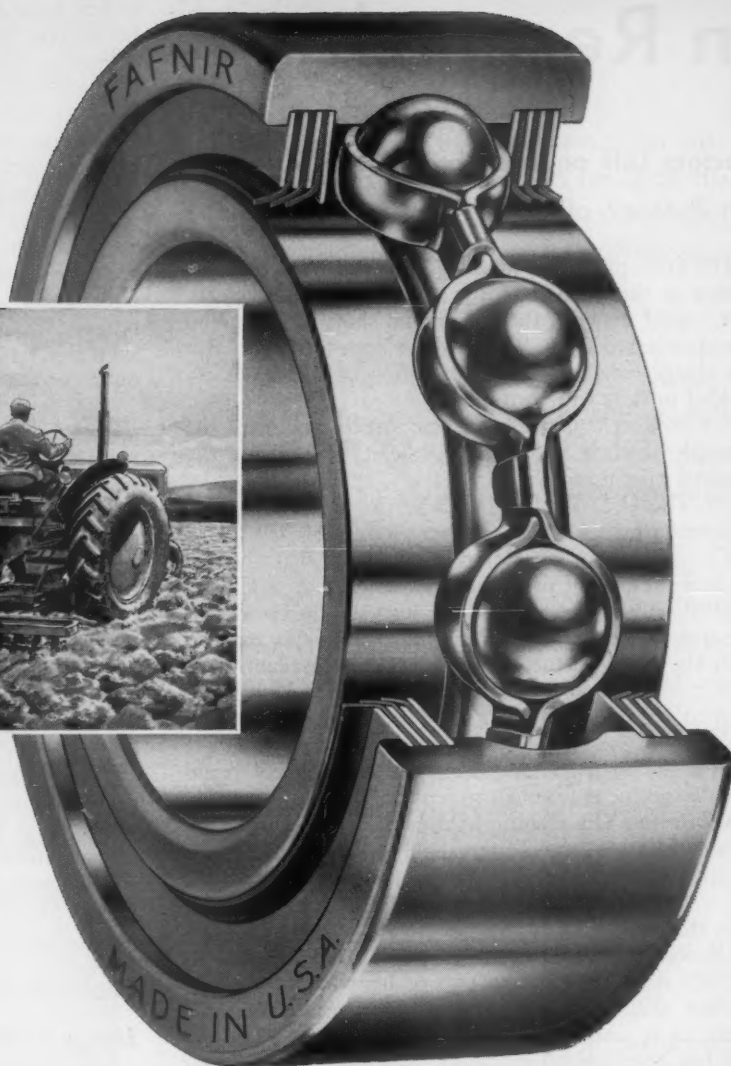
• **Test Methods**—The easiest and most logical way to prove the cause-effect relationship of any virus is to inject a suspected agent into the blood stream, isolate the agent after the volunteer has contracted the disease, then inject it again after he has recovered. If the human guinea pig is immune to the second injection, and if he has developed recognizable antibodies, it is fair to assume virus identification in one instance.

Since serum hepatitis is fatal in one case out of five, this method is too dangerous to try on human beings. So a second type of human testing probably will be used. The vaccine will be given to a volunteer who will then be exposed to the disease. If he doesn't develop hepatitis symptoms, it can be assumed that he may have been immunized by the vaccine. But, of course, large-scale tests will be required before it is considered safe for general use.

The test vaccine will have to be an "attenuated living vaccine"—rather than a dead completely inactive vaccine like Salk vaccine—to prove its worth. If the Parke-Davis vaccine can be proved out, it would then be rendered inactive for general use. **END**



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# In Research

• • •

## Doctors Left on a Limb by AMA Attack On Potency of Some Salk Polio Vaccine

The first uproar had subsided a bit this week over the charge in the Journal of the American Medical Assn. that a great many of the 355-million shots of Salk polio vaccine released since 1955 may have been worthless. But the charges in the official publication of the AMA coincided in time with two moves:

- Producers of Salk vaccine quietly boosted the strength of their product to at least 50% above the required minimum.

- The U.S. Public Health Service raised its standards accordingly.

The AMA Journal had gone on to say that there is no sure method of measuring the efficacy of any given dose on any given patient. It suggests therefore that the wise doctor will consider reinoculating his patients with the more potent Salk vaccines now available.

At midweek, the Public Health Service had not commented officially, but the agency was known to be distressed over the AMA article, which flies directly in the face of the PHS attitude that four shots of any brand of Salk vaccine are enough to protect 90% of all persons.

While the Salk dispute held center stage, the Sabin, or live-virus, oral vaccine remained quietly in the wings, undergoing clinical tests. Prospective producers of the Sabin vaccine expect it to be ready for general use sometime this year.

Obviously, the new stand of the AMA will cause its 179,000 doctor-subscribers to wonder whether to reinoculate their patients at once with pepped-up Salk shots, or to wait for the Sabin vaccine. One PHS official has been quoted as saying that the average doctor faced with this choice will end up by doing nothing. That would play hob with the big government campaign for "babies to breadwinners" inoculation of every infant and young adult in the U.S.

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## Researchers Report Advances On Several Cancer Fronts

A number of developments in the past two weeks indicate clearly that scientists are finally pushing close to the control and cure of many forms of cancer:

University of Washington scientists have found and identified a chemical in leukemic blood cells (an enzyme called DR or dihydrofolic reductase) that apparently enables leukemic (and possibly also very young normal) blood cells to multiply very rapidly. DR is not present in mature normal cells. Hence, University of Washington researchers reason, mature normal cells cannot reproduce themselves and, ultimately, die.

It's not clear yet how scientists will be able to use this new knowledge. But researchers hope they will be able

to find some harmless chemical similar to DR that could be injected into the bloodstream to either destroy or deflect it. The DR identification may have significance in the study of other cancers, too. Groups at Roswell Park Memorial Institute in Buffalo, Yale University School of Medicine, and Tufts University School of Medicine have discovered similar DR increases in cancers of the connective tissues in mice.

Researchers at the Sloan-Kettering Institute for Cancer Research are theorizing that the growth of cancer and the growth of skin transplants may be related phenomena, and may be associated with a similar immunological defect. Scientists have demonstrated that skin grafts will "take" on subjects that have cancers; on normal, healthy people, they will not grow.

The grafting-cancer studies are very preliminary, researchers hasten to point out. But, it's possible to theorize that if the mechanism that permits cancer victims to "accept" skin grafts could be defined, scientists could work from there toward the development of a vaccine preventative for cancer.

The chemotherapeutic approach to cancer also got a boost this week with the announcement that Eli Lilly & Co. is releasing an anti-cancer agent called Velban for the treatment of Hodgkin's disease (cancer of the lymph glands, liver, and spleen) and another rare disease called choriocarcinoma (cancer of the testes or the placenta of the ovaries). The drug has been under clinical study for two years and has been studied in use with 300 patients. There is no evidence, Lilly says, that Velban actually has "cured" any of the cancers on which it has been tested. A cure is not proclaimed unless a patient can be diagnosed as free of all signs of cancer for a period of five years. But the drug looks very good.

• • •

## Chain Reaction in Beryllium Oxide Assembly Brings Compact Nuclear Power Source Closer

A new type of compact, highly efficient nuclear reactor with a long fuel lifetime may result from work done at General Dynamics Corp.'s John Jay Hopkins Laboratory for Pure & Applied Science at San Diego, Calif. Scientists there have achieved a chain reaction in the first non-military nuclear assembly in the U.S. to be moderated completely by beryllium oxide. This assembly will be used to study nuclear core characteristics in a research program aimed at developing a beryllium oxide-moderated reactor for use as a maritime power source.

Small and compact (42 in. in diam. and 44 in. long), the cylindrical research assembly is positioned in a 9-ft. aluminum honeycomb cube containing more than 1,600 slots. Tile-like beryllium oxide blocks and fuel foils will be placed into these slots in various arrangements, thus permitting researchers to compare the merits of different core configurations.

Scientists expect that they will be able to run experiments using the General Dynamics' beryllium oxide assembly at helium outlet temperatures up to 1,500°F, pressures up to 1,120 lb. per sq. in. and power levels to 10,000 thermal kw. If results are satisfactory, they will then consider modifying their equipment to permit testing of a higher power core.

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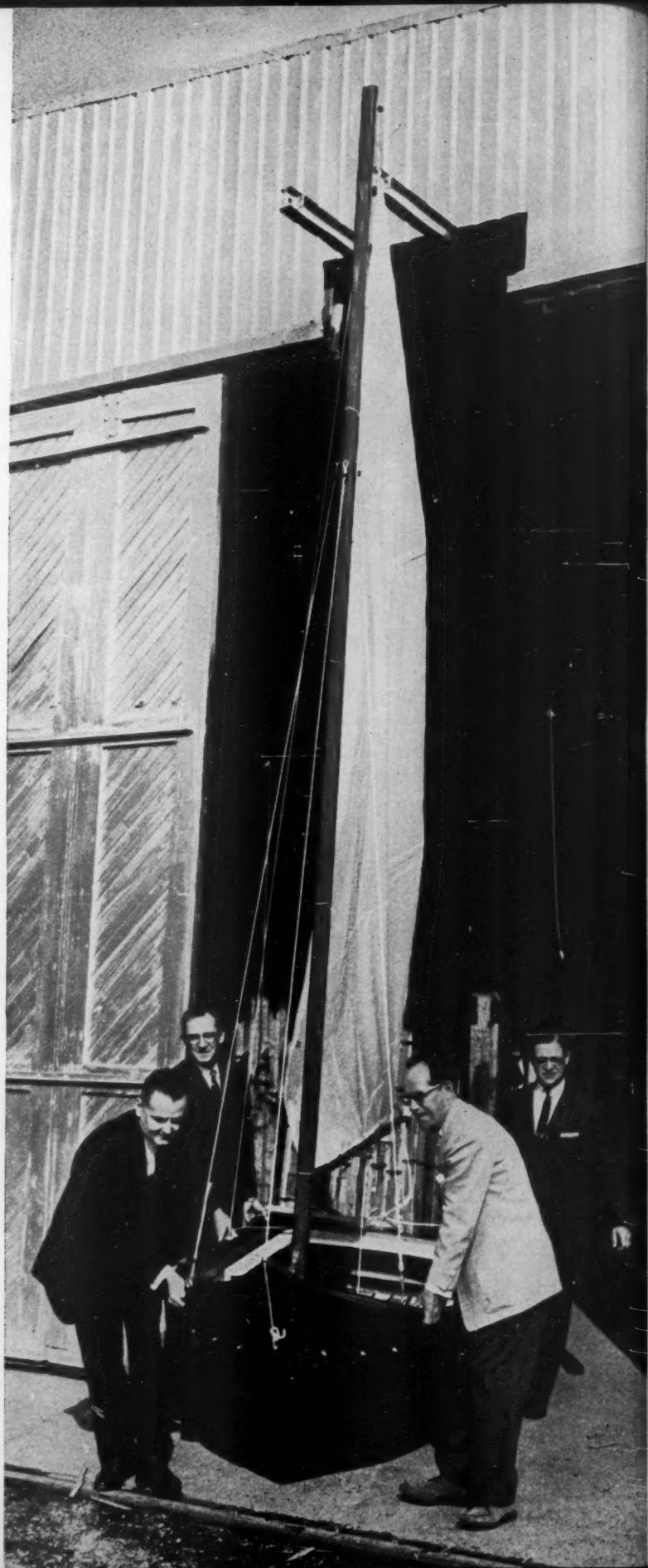
## PRODUCTION

Process that produces everything from "baked" masterpieces to molded boat hulls has plastic molders cooking up ideas.



**POLY ART**, developed by Mrs. Royle Glaser (above) of Revell, Inc., is a process by which you can bake a plastic picture much as you would whip up cookies.

**MOLDED BOAT HULL** (right) by Amos-Thompson Corp. is a bigger application of the same process. The great advantage is that molds cost only about 5% or 10% as much as matched metal molds cost.



# Bake-It-Yourself Trick Is Hot Item in Plastics

To curious outsiders, the doors to part of the Edinburg, Ind., plant of Amos-Thompson Corp. stay permanently closed. Occasionally the doors open to disgorge a new plastic boat (picture, left) or perhaps a batch of capacious industrial containers.

Inside a new process is at work that should help polyethylene and perhaps other plastics to woo new markets with large one-piece plastic products. Amos-Thompson, through its Amos Molded Plastics Div., is one of the five U.S. companies licensed to use the basic process, and each of the five jealously guards the refinements it has devised for the technique.

No such closed-door policy shrouds an even newer offshoot of the industrial molding process, however. This is a kit with which, using the same basic principle, you can literally bake a plastic picture in the oven at home. Revell, Inc., the swiftly growing hobby kit maker, unwrapped the kit for the trade last month, and it plans a nationwide promotion to show anyone who will watch just how it works (pictures). Revell is aiming the kit at girls—a market so far untapped by its hobby line.

• **Basic Process**—To understand the kinship between large industrial items and a product destined for sale at toy and hobby counters, it's essential first to look at the basic process, known in Europe as the Engel process after its inventor, the German, Thomas Engel. Spencer Chemical Co., which holds rights to license U.S. molders to use the Engel process, calls it Thermofusion. And Amos has chosen to advertise its adaptation as SinTrex.

Engel process, Thermofusion, or SinTrex, the technique works fundamentally the same. You start with polyethylene powdered to the consistency of table sugar. (Eventually, polypropylene and several other plastic materials may also be used.) The powdered plastic is poured into a metal mold built the same shape as the desired end product—a brine tank, say, or a boat hull. Then the mold full of plastic is shoved into an oven and baked. When it emerges, some of the plastic has adhered to the mold; the amount that sticks can be controlled by varying the time and temperature of baking. The plastic that is still loose is poured out, and the mold is returned to the heat for a final treatment that smoothes the surfaces.

• **Dramatic Saving**—The most shining beauty of the process is the low cost

of the molds, which, because they aren't subject to much stress, can be made of much lighter material than is necessary with other techniques. The cost can run as low as 5% or 10% of the bill for matched metal molds—a dramatic savings in a business that has paid \$50,000 and more for some of its molds.

## I. A \$500-Million Pie

Thermofusion comes on stage in an industry that for all its use and exuberance abounds in complexities. In the plastics molding industry, precise statistics are as hard to grasp as plastic itself in the melted state. The fragmentation begins at the raw material level, where at least 200 different companies—including the major blue chip chemicals—shared in last year's total production of more than 6-billion lb. of synthetic resins.

Fabricators are vastly more numerous; the Society of Plastics Industry counts about 1,600 molders alone. A few of these are "captive" molders that make plastic parts for their own products, but are not primarily in the plastic business. Others belong in the "proprietary" class, handling both manufacturing and marketing of plastic items under their own brand name. The third category is the "custom" molder, which does molding jobs on contract for outsiders but ordinarily stays out of the retail market itself.

• **Small Slices**—Custom molding is fairly big business, with a current sales volume somewhere around \$500-million a year. But this pie is cut into scanty helpings; according to one survey, only about 14 custom molders score sales of more than \$2.5-million a year apiece. The elite includes, as a sample, companies such as Chicago Molded Products Corp., which does about \$9-million worth of business annually, and the Plastics Div. of General American Transportation Corp., considered in the same stratum—although parent GATX won't break out the figures. But for every Chicago Molded or GATX, there are scores of small operators with a few molding presses. The big established molders lament that they often develop business only to see it snatched away by a little rival who undercuts prices.

The industry includes hundreds of concerns such as extruders, laminators, makers of reinforced plastics, and fabricators.

• **Technique Changes Are Slow**—Over



DESIGN is drawn on metal baking tin . . .



... filled in with powdered polyethylene . . .



... cooked in home rotisserie at 450 F . . .



... picture is peeled right out of the tin.

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the past 10 years or so, change has come more rapidly to the industry's raw materials than to the processing techniques it uses. These have been refined but not basically altered. In custom molding, probably the most important is injection molding—the plastic is heated, then pushed through a small nozzle into a mold that may be quite intricate. Injection presses have increased in speed and capacity, and newer machines have better controls for handling skittish materials.

There also have been advances in the art of blow molding, which in plastics is analogous to glass blowing.

Much of the technology of plastics molding flows out of the laboratories of the raw materials suppliers. They devote time and cash to research and development in hopes of expanding markets; the average molder is too absorbed in dog-eat-dog competition and beset by thin margins to conduct his own engineering and development.

### II. Opening New Markets

Following the pattern for a supplier, Spencer Chemical in late 1959 introduced Thermofusion to the U.S. after exhaustive studies of the market potential and conclusion of a deal with the Dutch company that held U.S. rights from the inventor.

Spencer had no plans for going into production itself—but had high hopes for stimulating polyethylene sales. The company figures its share of the U.S. polyethylene market at 10% to 12%—out of slightly more than 1-billion lb. last year. With 1955's price of 42¢ per lb. eroded to today's 27½¢ or so, larger volume is important.

Engel's process is already in use in several countries of Europe, where it now consumes polyethylene at an annual rate of 2-million lb., according to one U.S. guess. Spencer hopes that Thermofusion's intake of the plastic could be 6-million to 8-million lb. in the U.S. by 1963.

• **For Large, Light Items**—Spencer sees Thermofusion as most promising for medium-sized to large items, measuring up to 4x4x12 ft. or so. It's technically feasible by injection molding to use plastic for big items such as a 300-gal. chemical tank, but on a short press run the mold cost would be prohibitive. The tank could be made by another process known as vacuum forming, but with this technique it's often difficult to keep wall thickness and strength uniform.

So, Spencer hopes, Thermofusion will open new markets—with such products as shipping containers; tote boxes; carts and portable tanks for the laundry, meat, and water-softening industries; boats; and furniture.

Careful winnowing went into selec-



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For what it's worth...

# How is a fair market value established?

*Adapted from one of the Clients' Service Bulletins of The American Appraisal Company*

Fair market value has been defined by courts and tax regulations as the price that a property will bring when offered for sale by a "willing seller to a willing buyer." It is the usual premise for condemnation, purchase or sale, tax purposes, reorganization, etc.

There are three approaches to its determination:

1. The comparative approach, involving sales and asking prices of similar properties.
2. The earnings approach, involving the capitalization of estimated net income.
3. The "sound value" approach, based on the cost of reproduction of improvements less observed depreciation and obsolescence, plus the fair market value of the land.

## When data is scarce

The value of property will normally be limited by cost of reproduction. Consideration must also be given to prices for comparable properties on the open market, and the price on which it may produce a reasonable return.

For commercial properties, apartments, office buildings and hotels all three approaches may be used effectively. For industrial properties it is often impossible to obtain authentic sales data on similar properties detached from going business values. Hence, the appraiser may have to formulate his conclusions on the basis of depreciated values, plus a consideration of earnings.

## Careful preparation necessary

The earnings approach cannot be ignored. Even when properties have no history of earnings, there may be potential earnings capacity. If no

past or prospective earnings are indicated, the property may be worth only a liquidation price.

It requires careful preparation to determine fair market value. Since findings are frequently subject to review, the appraiser must have ample supporting detail to justify his conclusions.

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tion of the five licensees because, says Stringfellow, "a lot of Spencer's name rides on the process." The five, besides Amos, are American Agile Corp., Loma Industries, Inc., Rubbermaid, Inc., and Space Structures, Inc.

## III. Switch to Plastics

Amos has started production on both custom and proprietary items, using the SinTrex process. Some of its new materials handling equipment will be marketed by a specialist in that field, Union Steel Products Co., Albion, Mich. Others will go into proprietary sales channels. Amos also plans to market its own SinTrex-built dinghy to be offered with and without a sail.

• **Coming Up**—The other four licensees also are busily baking away in their Thermofusion ovens:

• American Agile is custom-molding insulation boots for TV tubes and, on the proprietary side, turning out acid tanks up to 350 gal.

• Loma Industries, a big factor in plastic household goods, is just starting its Thermofusion installation.

• Rubbermaid, best known for its proprietary housewares, is planning to do most of its own marketing with a new Industrial Products Div. Its offerings include a plastic laundry cart for loads of up to 1,200 lb.

• Space Structures, which has been specializing in glass fiber and foams, is making Thermofusion containers for the food and chemical industries and also planning a boat. It claims to have the largest Thermofusion furnace in the world.

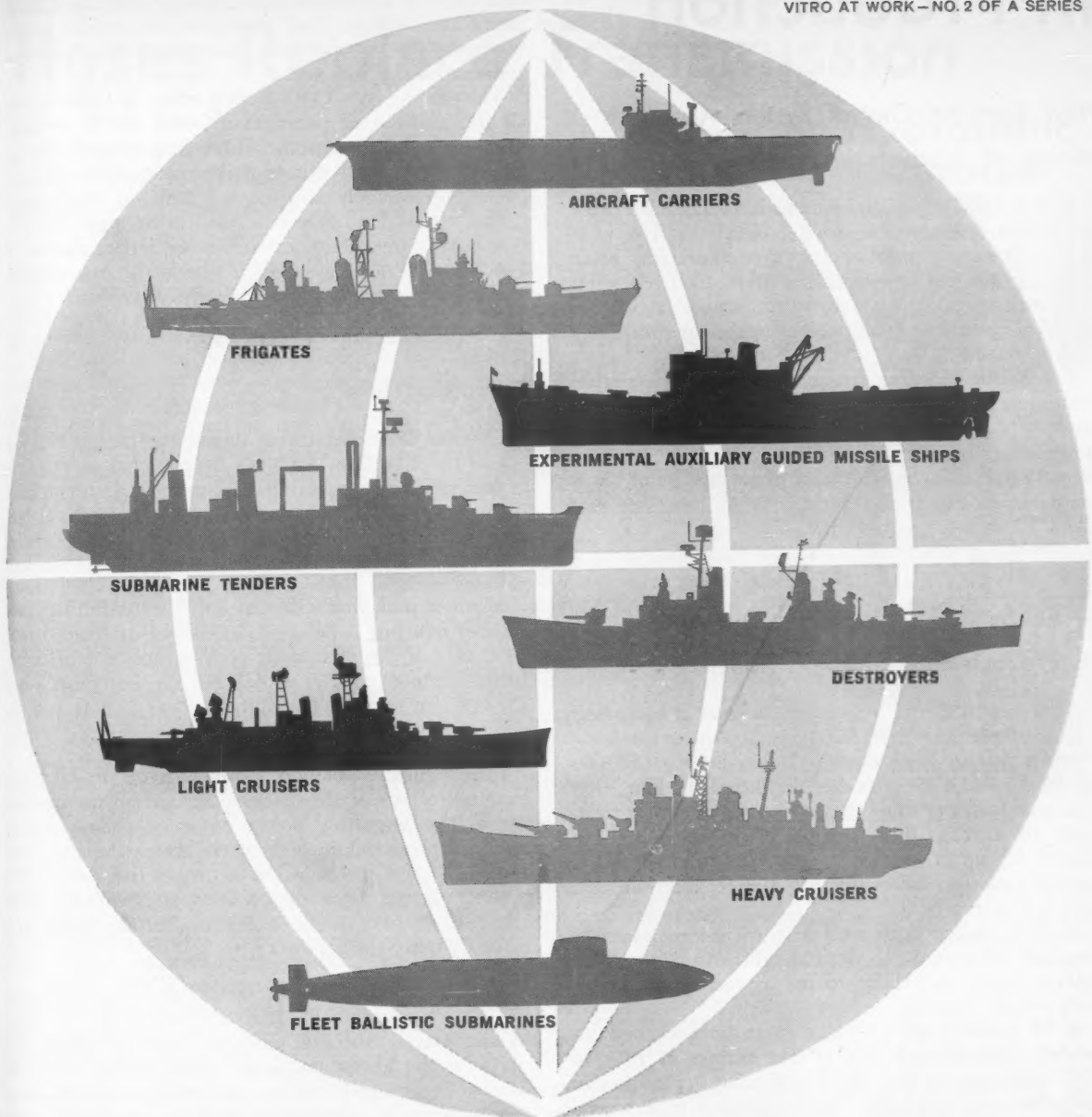
## IV. Hobby Kit Market

So far, Thermofusion's most bizarre offshoot is the hobby kit. It started when engineers at Spencer Chemical's Thermofusion pilot plant in Orange, Tex., tried playing with the powdered polyethylene at home and found that they could make objects such as water tumblers in the kitchen oven. Spencer took the idea to Revell, which has built hobby kit sales from \$14-million in 1951 to \$16-million in 1959. The result was the Poly Art kit introduced last month at the Hobby Industry Assn. of America's annual show in Chicago.

For an investment of \$2.98 to \$9.95, Revell gives the Poly Art customer a baking tin, a supply of powdered polyethylene in as many as eight colors, plus crayons and marking pens.

Poly Art fits right into Revell's plan to shoot for the girls' market in 1961, says Glaser.

He thinks it may be a bigger market for polyethylene than the industrial applications of Thermofusion, at least in the first year or so. **END**



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# In Production

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## New Blending Control System Allows Mixing of Products in Pipeline

A new blending control system introduced last week by Fischer & Porter Co. mixes products right in pipelines. Designed to eliminate time-consuming batch mixing in tanks, the system may allow food processors and bottlers as well as a number of chemical and petrochemical operations to utilize more efficient continuous flow processes.

Key to the blending system is a memory—a simple, computing instrument—that constantly calculates total quantity of product added to the stream and immediately compensates for deviations. F&P claims the system is accurate to within one-half of a percentage point. It is adaptable to two-product mixes, or to processes that blend 20 or more ingredients.

• • •

## A. O. Smith Develops Die Quencher To Produce High-Strength Rails

A. O. Smith Corp., Milwaukee, believes it has found a way to use less expensive low-alloy steel for high-strength rails in truck chassis. It has built a \$500,000 machine called a die quencher that keeps the long, thin rails from buckling when they are cooled after heat treatment to increase their strength. The quencher can handle rails up to 40 ft. long, uses high-speed automatic handling devices and perforated dies to soak the rails with quenching fluid.

Putting high-strength steel in truck frames can save hundreds of pounds of dead weight. And, say truck makers, buyers are willing to pay a premium of \$1 for each pound taken off.

A. O. Smith engineers claim their die quencher can produce high-strength rails at cost savings of 10% to 30% compared to alternate heat-treating techniques or high-alloy steel materials. The quencher took several years to perfect.

• • •

## Georgia-Pacific's New Method Cuts Production Steps in Plywood Process

Georgia-Pacific Corp. has developed a new method of making plywood that eliminates several production steps and brings the manufacturing operation much closer to a continuous process.

Ordinarily, plywood manufacturing requires at least five steps: peeling the veneer, curing it, cutting it to size and repairing defects, wet glueing, and pressing. Georgia Pacific's process combines these into about two steps: The green veneer is fed directly to a four-story press where dry glue is dumped on it; then it is heat bonded, which simultaneously cures the green veneer

and sets the glue. In addition, the surfaces are covered with resin impregnated paper, which cures to a hard plastic-like coating. That eliminates the sanding operation, provides a paint base, and eliminates grain rise and cracking.

The product, says G-P's vice-president of research, has all the qualities of premium plywood yet it is made from lower-quality veneer. G-P will produce both interior and exterior (water resistant) grades of five-ply  $\frac{3}{8}$ -in. panels and seven-ply panels in  $\frac{1}{2}$ ,  $\frac{3}{8}$ , and  $\frac{3}{4}$ -in. thicknesses.

The plywood is made in a plant in Springfield, Ore., which has a capacity of 2.6-million sq. ft. per month of  $\frac{3}{8}$ -in. wood. Prices, says G-P, will be in the same bracket as competitive grades of ordinary plywood.

• • •

## Production Briefs

Chrysler Corp. is bringing its automotive gas turbine out of the laboratory for trials by potential users, such as bus and truck operators. Chrysler engineers claim improvements in acceleration and in performances at less than full throttle. For this improvement they credit a new variable nozzle they developed for the engine.

A power pack that will turn out 5 watts for 10 years without refueling is being produced by Royal Industries, Inc., of Los Angeles, using a Westinghouse Electric Corp. thermoelectric generator and the isotope cesium-137 as a heat source. The unit, less than 1 cu. ft. in size, will cost about \$130,000.

United Shoe Machinery Corp. is trying to take the bang out of one of the noisier industrial operations: the use of the die-cutting presses to stamp shapes out of stacks of paper, fabric, and other sheet materials. The company has designed a line of presses that cut with a squeeze instead of a slam. Electronic circuits sense the contact of the die with the cutting table and instantly brake the action.

The first production run of thermoelectric refrigerators for consumer use has started at Norge Div. of Borg-Warner Corp. Sheraton Corp. of America ordered 500 units for the Sheraton-Chicago Hotel, which opens in May. The refrigerators use solid-state elements, have no moving parts except for a small fan; capacity is  $\frac{1}{2}$  cu. ft., enough to freeze one tray of ice cubes in 6 hrs. The units cost about \$200 each.

Partial blockage of the water tunnel that supplies Aluminum Co. of Canada, Ltd.'s big generating station at Kemano, B. C., will force a 5- to 8-week shutdown in June. Clearing the tunnel will cost about \$1-million, and the shutdown will idle 2,000 workers. The Kemano plant furnishes power to Alcan's reduction plant at Kitimat.

Polyurethane foam, sprayed on the underside of highway bridges in a 1-in. layer, can slow down premature freezing that often makes bridge surfaces dangerously slippery long before approaches ice up, according to Barrett Div. of Allied Chemical Corp. One inch of the foam has insulation value equivalent to several feet of earth.

## NEW PRODUCTS

# Hoses Replace Transmission

**New York Air Brake Co. is producing a hydrostatic transmission for use in off-road motor vehicles.**

A new transmission for materials handling, construction, and agricultural motor vehicles has been put into production by New York Air Brake Co. at its Watertown (N. Y.) plant. Known as a hydrostatic transmission, it uses hydraulic pumps and motors to transfer power from the engine to the wheels so that high-pressure hoses replace the usual transmission parts—drive shaft, universals, clutches, and gear boxes.

Vehicle manufacturers have been interested in the possibilities of this kind of transmission for a good many years. It offers many advantages: easier maintenance, unlimited range of forward and reverse speeds, very slow speeds without fear of the engine conking out, power braking from the transmission.

But the development of the hydrostatic transmission has been moving forward rather slowly, partly because of high costs. It is only recently that it has shown some signs of making any inroads in the near future.

**• Other Systems**—New York Air Brake's hydrostatic drive is the second one to appear on the commercial market for motor vehicle application. The first was introduced about two years ago by Towmotor Corp., which offers it as optional equipment on its line of industrial fork-lift trucks.

However, two other leaders in the hydraulics field—Vickers, Inc., a division of Sperry Rand Corp., and Sundstrand Hydraulics Div. of Sundstrand Corp.—have teams of engineers at work with vehicle makers, exploring and testing experimental hydrostatic transmissions.

**• How They Work**—The New York Air Brake system basically consists of an engine, a hydraulic pump, and a hydraulic motor connected to the pump by hoses. The vehicle's engine shaft runs the pump, which in turn feeds power to the hydraulic motor that drives the wheels.

In operation, the pump pushes oil into the hoses at high pressure. When the flowing oil reaches the hydraulic motor, its force drives the motor, and this turns the vehicle's wheels. A lever that controls the amount of oil the pump puts out regulates the vehicle's speed.

Towmotor's drive works on similar principles, except that it employs two pumps, one on either end of the fork-

lift's engine, and two motors attached in parallel to the rear axle. One of the pumps supplies a high volume of oil to drive the vehicle at full speeds and to control the lifting and tilting of the forks. The other pump's job is to control the lift truck at "creeping" speeds.

**• The Advantages**—The hydrostatic transmission gives the vehicle's operator an almost unlimited range of "gear ratios" between idling and full speed in both forward and reverse, instead of a small number of forward and reverse speeds.

The vehicle's speed also can be slowed to a crawl while the engine continues to turn over at its most efficient working speed. Thus, the vehicle can carry a heavy load, negotiate a steep hill, or go over an obstacle at slow speeds with the driver in full control. There's no slipping, no worry about the engine conking out. This also means that the vehicle can travel in deep sand or mud where mechanical or conventional automatic transmissions would bog down.

Another advantage of the hydrostatic transmission is that it enables the driver to get braking power from the transmission itself for many operations. When the flow of fluid is reversed, the transmission absorbs power from the wheels instead of feeding power to them. This takes a lot of strain off the vehicle's regular brakes.

And there is little need for maintenance, since there are few parts that tend to wear and the system is self-lubricating.

**• Cost Problem**—Right now, it's impossible to tell where hydrostatic transmissions will go from here. There are still problems to be solved, and the biggest of these is cost. Hydraulic components are very expensive.

Towmotor's unit, for instance, costs about as much more than a conventional automatic transmission as the automatic costs over a mechanical drive. And although New York Air Brake says that its package will be "competitive" with standard automatic transmissions, the company hasn't actually set a price yet and won't tell whether its system will cost any less than Towmotor's.

It is this question of cost that's holding back most of the vehicle makers. Deere & Co. and Allis-Chalmers Mfg. Co., both of which make tractors, combines, and other agricultural vehicles, have been looking at Sundstrand hydrostatic systems. But they feel that the cost of such a transmission is still too far out of pro-

## In Hydrostatic Transmission



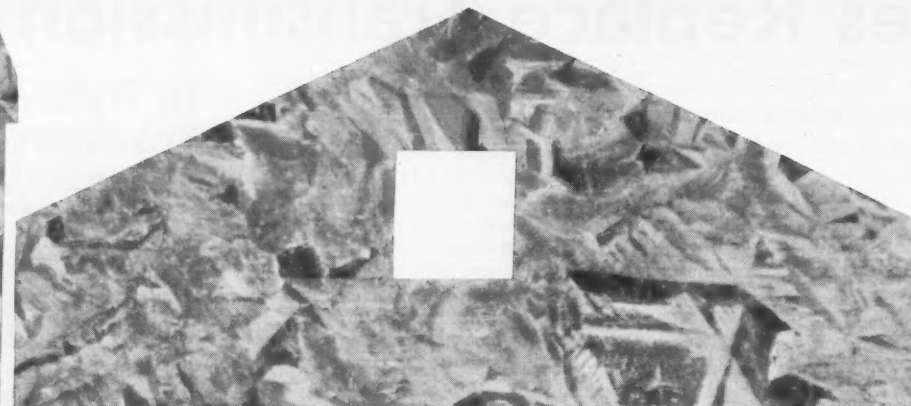
portion to be of real interest to their farm customers.

However, Towmotor claimed this week that it is ready to sell a new version of its hydrostatic drive for about the same price as a conventional automatic transmission on one of its fork-lifts, and that it hoped to effect price reductions on other models soon.

**• How Wide an Application?**—Vickers itself is holding to a conservative policy. Its development work with hydrostatic transmissions is aimed primarily at materials handling, earth-moving, and other construction vehicles and it thinks that the hydrostatic concept has a big future in mobile equipment. But Vickers also says that it isn't advanced enough yet for wide application to industrial vehicles across the board.

What about hydrostatic transmission for passenger cars and highway trucks? There has been considerable experimentation along this line, too, but nothing has come of it. Still, it's a provocative idea, and someday, if manufacturing costs ever get low enough, it might very well be feasible to design a hydrostatic transmission for autos that would give them individual wheel drives, less complex insides, and more versatile performance. **END**

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## LABOR

# Teamsters Get Out From Under

AFL-CIO's executive council was in session last week in Miami Beach when word came through from Washington that U. S. District Court Judge F. Dickinson Letts had approved a special election to end monitors' supervision of the International Brotherhood of Teamsters.

One council member, president of a union in a vulnerable area of industry, shook his head gravely. "More trouble for us," he said.

That's what employers as well as many unions can expect—more trouble from the already troublesome Teamsters—if, as expected, James R. Hoffa wins the right to run the 1.7-million-member truckers' union without having to answer to court-designated monitors for what he does.

• **What's Ahead**—According to Hoffa's chief lieutenant in Washington, Harold Gibbons, the Teamsters haven't yet firmed their plans for a future out from under the monitorship. Conferences are being held to decide "where we have been holding back and can go ahead now," Gibbons said a few days ago.

"We've backed away from some things—maybe because we couldn't give undivided attention to them because of the monitors' harassments," he said. "We can get down to business now."

"Down to business" with much more freedom for action, he emphasized.

• **More Active Program**—A full, greatly expanded program will be placed before a special convention in Miami Beach June 26, if hotel space can be obtained then. The program will include:

A **stepup in organizing**, particularly among unorganized workers but encroaching on AFL-CIO union jurisdictions in many areas. Hoffa's executive board recently approved a change in the IBT constitution to claim jurisdiction over "all unorganized workers," no matter where they may be found. Although the IBT has never been hesitant about organizing, jurisdiction or no, the broadening of its official claim is a significant part of the union's plans for pouring money and manpower into a great organizing drive.

At the AFL-CIO executive council meeting, the federation's organizing director, John Livingston, warned that most of today's organizing drive is in the Teamsters and District 50 of the United Mine Workers. Both are gaining members while AFL-CIO has lost a million members since 1957; it now claims only 12.5-million members.

Closer alliances with other unions, those of AFL-CIO with "related inter-

ests" including Building Trades unions and the Amalgamated Meat Cutters & Butcher Workmen, and independent labor organizations. But, according to Gibbons, the IBT has no intention of formal ties of any kind with the left-wing United Electrical Workers, International Longshoremen's & Warehousemen's Union, and the Mine, Mill & Smelter Workers. Not long ago a spokesman for one of these unions, all ousted from the old CIO, said the group was interested in a protective, loose federation with the Teamsters; he said this would be possible "once Jimmy Hoffa gets rid of the monitors." According to Gibbons, the most they can hope for is "cooperation on matters of mutual interest—the same as we'd give any union."

Broader-based bargaining, through more regional, national, or industry-wide contracts in trucking and common contract expirations with other key unions—with the Amalgamated Meat Cutters (the butchers) in retail stores, for example. The IBT under Hoffa has been moving toward this objective of greater economic power. It may push ahead faster and further without the surveillance of monitors—who were likely to challenge efforts to increase the already great power of the union and its controversial chief.

• **Not in the Clear**—Although the Hoffa-led IBT will have much more freedom without the restraining influence of court-appointed monitors, the end of the monitorship won't mean complete freedom from any checkreins.

The Teamsters' leadership is aware, for instance, that it needs a new public image; it must appear to be a sound, respectable, and responsible union run along democratic principles. Otherwise, inevitably, new curbs will be placed on its activities. Moreover:

• Although Judge Letts approved a special convention and election and abolished the monitorship, he strongly indicated that he has a continuing interest in the Teamsters situation; he said, at one point, that "nobody has ever asked me to dismiss the case."

• Sen. John L. McClellan (D-Ark.) intends to probe further into Teamsters affairs through his Senate investigating committee.

• Atty. Gen. Robert Kennedy, an arch-foe of Hoffa as McClellan committee general counsel in the past, is determined to move against Hoffa again—when and where he can. Jack Miller, who served as attorney for monitors who sought Hoffa's removal, is now



JAMES R. HOFFA can move now without control by monitors—but can't go too far.

head of the Justice Dept.'s Criminal Div., in a key spot under Atty. Gen. Kennedy.

• And, under the Landrum-Griffin Act, Secy. of Labor Arthur Goldberg has far-reaching authority to intervene in the internal affairs of a union if democratic practices are violated or there is reason to suspect dishonesty.

Under these circumstances, Hoffa must move carefully. Although bold new programs may be drafted, the IBT may not rush into them. The rambunctious Teamsters may be deceptively quiet for a time.

• **Hoffa Indictment**—There's another reason for this. Hoffa is under federal indictment in Florida on charges of using the mails to defraud in efforts to promote a real estate development that a federal grand jury found to be waterlogged.

Hoffa pleaded not guilty.

Twice before, government prosecutors failed to make charges against Hoffa stand up. This could happen again. Intent to defraud must be proved. If it is, and Hoffa is convicted, appeals would be certain.

Meanwhile, Hoffa could retain office as president of the Teamsters. **END**

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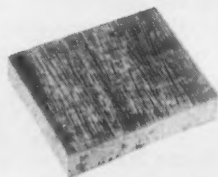
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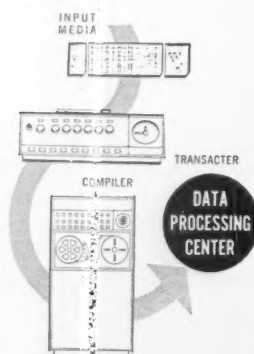
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## The labor pattern

### Big Impact of Craft Strikes

Not so long ago, the death of a craft and the displacement of the men who practiced it came slowly. But in today's fast-automating world, technicians see their crafts disappearing almost overnight, swallowed up by new crafts and new classes of workers.

This change doesn't occur without a fight—or without major inconvenience for the public. Small groups fight desperately to preserve high-pay, high-status jobs, feeling they have little to lose and much to gain.

• **Flight Engineers**—The recent flight engineers' walkout was just such a strategy of desperation. Originally, the flight engineer was an airborne mechanic. During the early days of commercial aviation, before most airports employed trained ground crews, he went along to take care of any trouble that might arise. Today, however, his job focuses on an instrument panel.

The Air Line Pilots Assn. contends that, like any other crew member, the flight engineer should belong to ALPA and should be trained to assume pilot or co-pilot duties. The Flight Engineers' International Assn. holds that flight engineers are a separate craft.

AFL-CIO—which wants a single cockpit union—tried to resolve the dispute by merging ALPA and FEIA, with a cross-seniority system. Under it, each group could learn the other's craft and go to the bottom of the other's seniority list. The airlines like this idea. Some already employ pilot-trained flight engineers.

The trouble with the plan, from the flight engineers' viewpoint, is that pilots can be trained easily as flight engineers, but pilot training is long and demanding. Many flight engineers couldn't qualify for it. They also suspect that the airlines are interested in requiring interchangeable skills as a step toward reducing the crews.

• **Strike Against Odds**—This was the situation when the National Mediation Board ordered United Air Lines' pilots and flight engineers to vote as a single craft unit in a representation election. United's engineers, also trained as pilots, did not contest the order. But the outnumbered engineers on seven other airlines struck—despite strong opposition from AFL-CIO. The federation regards any narrow, jurisdictional strike as an invitation to Congress to pass catch-all, anti-strike legislation.

With 2,700 engineers on strike, there were not enough licensed replacements available. For six days, the walkout worked—with 500,000 travelers denied service, 84,000 airline employees laid off, and seven airlines out of pocket some \$40-million.

Then, pressure from the Kennedy Administration, exerted mainly by Labor Secy. Arthur J. Goldberg, built up to the point where the flight engineers gave in. They returned to jobs with no firmer commitment than for a fact-finding study.

• **No Real Solution**—Typically, the "settlement" simply postponed a solution. This has been the pattern in all such recent settlements.

Last year, 1,900 elevator constructors struck for 18 weeks to keep manufacturers from fabricating elevators in plants and bringing them to the building sites, ready for installation. The walkout disrupted New York City's \$1.3-billion construction industry. The strike ended when both sides agreed to abide by the results of national negotiations next year.

Some observers criticize such settlements as simply piling up trouble for another, later day. Others feel that delay is exactly what's needed. It helps put back into the situation some of the time removed by automation's swift pace. Moreover, if an outside agency is given a voice in the settlement, agreement may come about with less violence than in a direct labor-management contest.

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# In Labor

## Cost of Living: What's Happening to It

	Total Cost of Living	Food	Clothing	Housing Total	Rent Only
1947-49 = 100					
January, 1953	113.9	113.1	104.6	116.4	121.1
January, 1954	115.2	113.1	104.9	118.8	127.8
January, 1955	114.3	110.6	103.3	119.6	129.5
January, 1956	114.6	109.2	104.1	120.6	131.4
January, 1957	118.2	112.8	106.4	123.8	134.2
January, 1958	122.3	118.2	106.9	127.1	136.8
January, 1959	123.8	119.0	106.7	128.2	138.8
January, 1960	125.4	117.6	107.9	130.7	140.9
February	125.6	117.4	108.4	131.2	141.0
March	125.7	117.7	108.8	131.3	141.2
April	126.2	119.5	108.9	131.4	141.4
May	126.3	119.7	108.9	131.2	141.4
June	126.5	120.3	108.9	131.3	141.6
July	126.6	120.6	109.1	131.3	141.8
August	126.6	120.1	109.3	131.5	141.9
September	126.8	120.2	110.6	132.0	142.1
October	127.3	120.9	111.0	132.2	142.5
November	127.4	121.1	110.7	132.1	142.7
December	127.5	121.4	110.6	132.3	142.8
Jan., 1961	127.4	121.3	109.4	132.3	142.9

Data: Dept. of Labor, Bureau of Labor Statistics

BUSINESS WEEK

## C-of-L Drops at Last, So Wages Stand Still for a Million Workers

The first drop in the government's Consumer Price Index since January, 1960—to 127.4% of 1947-49 prices in this mid-January—left pay levels unchanged for a million workers in auto and related industries.

About 61,000 in other industries received a penny more pay under different "escalator" plans; several thousand got 2¢.

Price decreases that exerted a major influence in bringing the CPI down slightly were centered among commodities—especially apparel, private transportation, and food. But every major listing in the index, except medical care, either declined or was unchanged.

## Labor's General Demand for Pay Boosts Ignored Here and There by Locals

Although labor is committed—once more—to bargaining for higher pay this year, many local unions are more concerned about jobs than money and aren't pressing new wage demands.

Isolated cases do not necessarily mean a trend, but within the past two or three weeks:

- Seven locals of the Textile Workers Union of America in the Fall River (Mass.) area voted to forego contract demands affecting Berkshire Hathaway plants in Massachusetts and Rhode Island. The decision involving 4,000 workers was made because of prevailing conditions.

- A Los Angeles local of the Plasterers' & Cement Masons' International Assn. rejected a 12½¢-an-hour wage increase (from \$4.25 an hour) to "support Pres.

Kennedy's plea to hold the line on inflation and stimulate construction work." The decision applies to wages of 1,376 workers.

- A local of the United Auto Workers in Menominee, Mich., voted to continue a voluntary 10% pay cut for another year to assist the Lloyd Mfg. Co., a division of the Heywood-Wakefield Co., of Gardner, Mass. The 450-member local first accepted the 10% pay cut in February, 1960, after Lloyd's parent company reported heavy losses in 1958 and 1959. Losses continued in 1960, but were substantially smaller.

## Spreading Unemployment Puts New Life In Workers' Attacks on "Moonlighting"

With unemployment high, resentment in unions against "moonlighting"—workers holding two or more jobs—is getting angrier. A statewide campaign against double jobs is under way in Illinois, and unions are being urged to clamp down on moonlighting.

The right of workers to hold two jobs may become an issue at a special United Auto Workers convention next month. A resolution prepared for the meeting on 1961 auto demands urges that all new contracts provide:

"No employee . . . may work for another employer or be self-employed in the trade. Nor will the company hire any employee who is working for another employer, and, upon such violation, the employee will be considered an automatic quit."

Efforts to curb moonlighting have been made in UAW several times in the past. They ran into stubborn resistance from workers who have found it profitable—and often easy—to double in auto plant jobs.

## Portland Newspaper Strikers Claim 65,000 Paid Circulation for Their Daily

The Portland (Ore.) Daily Reporter, a tabloid staffed almost entirely by strikers from the Oregon Journal and the Oregonian, reported a paid circulation of 65,000 this week, a month after it became a daily. The newspaper began publication a year ago as a free-distribution weekly to cover local news during the strike against the two papers, which began Nov. 10, 1959.

Token picketing continues at the Journal and the Oregonian, which are publishing with non-union staffs.

The Reporter raised capital through sale of stock, with 125,000 shares offered to the public at \$10 and 39,000 reserved for sale to employees. About half of the issue has been sold—mainly to individuals and union locals on the West Coast. The newspaper's equipment came from Unitypo, Inc., a subsidiary of the International Typographical Union. It is on lease with option to buy. Rent for first five years is to be paid in stock.

Some two dozen staff members—heads of departments, classified ad solicitors, and deliverymen—draw regular pay. Two hundred other employees receive only lockout benefits from their respective international unions.

The Reporter carries Associated Press coverage and a number of columnists.



## MARKETING

# Color TV—Moving, but Slowly

- This may be the year for the industry's breakthrough.
- More manufacturers are turning out color sets.
- Sponsors are showing more interest in color programs.
- Technical improvements are cutting transmission costs and shaving service charges at the receiver end.
- RCA even reports a profit—the first.

After seven years of false starts, color TV seems to be gathering strength for the final push over the threshold and into the living room. This spring, the television industry sees these hopeful signs:

**More manufacturers:** Zenith—No. 1 seller in black-and-white sets—will soon join the growing number of manufacturers of color sets. Just a few years ago, RCA had the field to itself.

**Profits:** After a series of lean years during which it lost \$130-million, RCA racked up a "seven figure" profit for color last year.

**Sponsor interest:** NBC—RCA's network subsidiary—has persuaded Eastman Kodak Co. to sponsor its Walt Disney show next season, a move that caused Kodak to drop CBS' Ed Sullivan Show.

**Technical improvements:** On the transmitting end, improvements such as more efficient cameras have reduced the costs of producing color shows. On the receiving end, service costs have been slashed and tuning has been simplified. In addition, both RCA and Zenith will use a new, brighter picture tube developed by RCA and announced this week.

• **The Cost Barrier**—But, color TV still faces formidable barriers. Set costs are high, and they're likely to stay that way. RCA does a small volume in a portable model selling for \$495. But its main model retails for around \$600—comparable with competitors' price tags. The average retail price of all TV sets is slightly under \$200.

Even after a color TV set gets into the viewer's home, it continues to cost more. In 1955, RCA charged \$149.50 for a one-year service contract—and there was good reason for the heavy fee. Now it has smoothed out most of the bugs, and charges \$69 for an annual color set service contract, compared with \$59 for a black-and-white set. RCA says it makes money on both deals.

• **Low Circulation**—The total number

of color sets in use is minuscule in comparison to the figure for black-and-white TV. Out of a total of about 51-million sets in the U.S., estimates of the number of color sets range from 300,000 to 750,000. This year, sales are expected to come close to 200,000.

These low "circulation" figures for color TV have kept down the number of color programs. NBC put on more than 1,200 hours of color programs last year; each year it has programed more color than in the preceding year. In 1955-56, its first full color season, it ran 215 hours. CBS runs a very sporadic color schedule, and ABC has no color shows.

Advertisers and agencies see a big future for color TV, but say it is too costly now. Many of NBC's color program sponsors don't present their commercials in color. The ones that do—auto manufacturers, brewers, food processors—pay little or nothing of the 7% to 12% premium the networks need to cover the extra costs.

• **Proving Its Colors**—In many ways, color TV is trying to retrace the growth pattern of black-and-white TV. It got its start in two of the places that cradled black-and-white—bars and high-income homes. And, like black-and-white, color TV faces a which-comes-first problem—advertising and programing, or the sales of enough sets to receive color. But black-and-white had an important advantage: The nearest thing to it was radio. Color has to prove that it's worth the difference over black-and-white.

Unfortunately for color, it has to prove this at every point in the TV business. Color costs more—on the set side, from research and manufacturing through customer service; on the broadcasting side, at every point from program and commercial production through to individual station transmission.

Much of the \$130-million that RCA

wrote off to color experience comes under the heading of research. This expenditure has resulted in a stable, reliable product. But it doesn't offer room for any dramatic cost cut—RCA sees no more than a possible \$50 reduction in the price of sets.

• **In the Field**—With Zenith's entry, the list of manufacturers also includes: Admiral, Emerson-Du Mont, Magnavox, Olympic, and Packard-Bell. Sylva indicates that it probably will be in the field before yearend. If so, it will make its own picture tube.

The list doesn't include some major manufacturers, such as Motorola, Inc., General Electric Co., Westinghouse Electric Corp., and Philco Corp. Motorola lost \$2-million on color TV in 1954-56. It got out of color and says it won't come back until a technical change of major proportions brings the retail price down to \$300—although some of the dealers have requested the company to return to color. Philco echoes this thinking, and expresses surprise that Zenith reentered the field without such a technical breakthrough.

Zenith doesn't deny that one motive in reentering color is to keep dealers happy. Color TV is a high-price item, offering a considerable promotion allowance. Dealers have to sell 3½ average black-and-white sets to make the same profit they get from one color TV.

• **Breakthrough**—Both optimists and pessimists agree that a technical breakthrough can come in only one component—the electron gun that activates the picture tube. Black-and-white sets need only one gun; color sets require three. Practically all the extra cost comes from this three-gun requirement. RCA says that even if a one-gun set were developed, it would be three years before it got into mass distribution.

• **Reform Movement**—RCA concedes that color acquired a shady reputation during its early performances. To prove that it has reformed color TV into a trustworthy product, RCA is using two venerable sales techniques—the dealer party and the free home trial.

NBC offers the viewer about four hours a day of color programs. Some—such as the Western, Bonanza, and the Dinah Shore variety show—seem greatly enhanced by color. But some critics question why the network should colorcast an interview show like Meet the Press. NBC's plans for next season seem aimed at more effective color programing: It will offer a Walt Disney hour in color and many movies in color. **END**



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## Oil Giant's Goal

Phillips Petroleum's invasion of Maryland is another step in company's plans for a national market.

Another strong bid for a national oil market seems to be in the making. Phillips Petroleum Co., headquartered in Bartlesville, Okla., took a major step northward last week when it opened its new Baltimore Sales Div. with offices in Towson, Md.

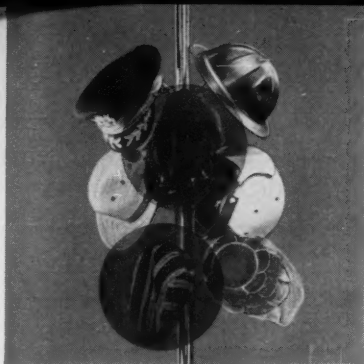
The move puts Phillips' refined products under the Phillips 66 shield into 40 states plus the District of Columbia. The Baltimore district brings in Maryland, Delaware, northern Virginia, eastern Pennsylvania, southern New Jersey. (Phillips has long-sold fuel oil in New York.) Thus the company joins with such giants as Humble Oil & Refining Co., domestic affiliate of Standard Oil Co. (N.J.), and Standard Oil Co. (Ind.) in a race for expanded markets.

• **Aero Signs Up**—The first jobber to sign for Phillips products in the new area was Aero Oil Co., New Oxford, Pa., and its affiliate, Blue Ridge Oil Co., of Frederick, Md. Reportedly one of the largest independent jobbers, Aero sells to about 200 service stations, some of which it owns outright. Since Aero formerly represented Atlantic Refining Co., Atlantic thus stands to lose a good chunk of outlets to Phillips. In addition, Phillips has signed up 10 other jobbers in the area.

• **Where Next**—The company refuses to say where—or when—its next move will come. It says it has no further marketing expansion plans at this time. It will concentrate on building up the new mid-Atlantic market. In doing so, it is following its usual pattern of moving carefully, building up a new market before it spreads further.

Phillips' marketing invasion of Eastern areas came in 1953 when it entered Florida. It now claims to be third in petroleum sales there. Later it added Alabama, Georgia, North and South Carolina, parts of Virginia. In 1959, it took another hop, this time into Ohio. Some 30 jobbers and 200 stations now sell Phillips' products in that state.

• **Rating**—National Petroleum News, a McGraw-Hill publication, rated Phillips as ninth among oil companies in gross sales in its 1960-61 Fact Book (consolidated gross income for fiscal 1959 came to nearly \$1.2-billion). NPN ranked it eighth in net profit—about \$105-million in 1959. And Phillips expects a record net of \$112-million for fiscal 1960. **END**



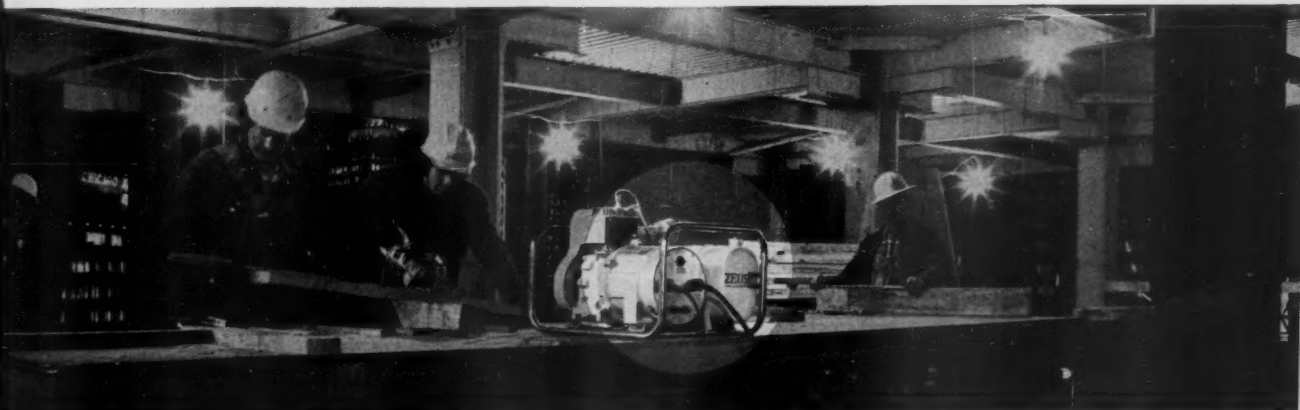
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# In Business Abroad

. . .

## Two U.S. Companies to Participate In Building Indian Fertilizer Plant

Little by little, India's developing economy is attracting U.S. investments (BW—Jan. 28 '61, p117). The latest move involves two U.S. companies and their Indian affiliate, which will build a \$55-million fertilizer plant in the port city of Visakhapatnam, on the east coast of India.

The U.S. participants, California Chemical Co. and International Minerals & Chemical Corp., learned this week that the Indian government has issued a license for the project. Their Indian collaborator is the E.I.D. Parry Group, of Madras.

The plant, adjacent to a California Texas Oil Corp. oil refinery, will be designed for an annual capacity of 350,000 tons. It will be operated by an Indian company in which the U.S. companies are to be minority owners. Cal Chemical is a subsidiary, and Caltex an affiliate, of Standard Oil Co. of California.

Private Indian capital will also be invited to participate. In India, both private companies and the government are engaged in fertilizer production.

. . .

## Yemen Signs Oil Exploration Agreement With John W. Mecom, Houston Independent

The Imam of Yemen has granted John W. Mecom, an independent oilman from Houston, a 10,000-sq.-mi. oil and gas exploration concession on the nation's coastal plain and offshore waters. Yemen is on the Red Sea, adjacent to the British Crown Colony of Aden, site of a 5-million-ton annual capacity refinery.

There is no present oil and gas production in Yemen, and no wells have ever been drilled there. Three previous attempts at exploration were unsuccessful, due largely to disagreements with the Imam.

The concession provides for a five-year exploration period and a 30-year development period. The area involved is about one-seventh of the country's total area.

If Mecom finds oil or gas, he has agreed to split his profits 50-50 with the government. Mecom signed his deal with Yemen's crown prince, who also acts as foreign minister.

. . .

## Ghana's Volta River Project Gathers Steam; Kaiser Engineers Get \$10-Million Contract

Construction is expected to start next month on Ghana's \$168-million Akosombo dam and power plant, initial parts of the African nation's Volta River hydroelectric project.

Kaiser Engineers & Constructors, Co., Inc., last week signed a \$10-million contract with the Ghanaian govern-

## MORE NEWS ABOUT BUSINESS ABROAD ON:

- P. 95—Lockheed Aircraft's strategy wins European sales contract and production setup for F-104G Super Starfighter.

ment to engineer and manage the four-stage development project. Kaiser will prepare engineering designs, procure major equipment, and inspect the construction.

Financial arrangements for the dam construction call for Ghana to put up \$84-million, the World Bank \$40-million, the U.S. Development Loan Fund and the Export-Import Bank \$30-million, and Britain \$14-million.

Ghana expects to award the construction contract later this month, with work starting in April. Among the bidders are three international consortiums of construction companies.

When completed, the hydroelectric project will supply power to a planned aluminum plant, which will be owned by four U.S. producers—Kaiser Aluminum & Chemical Corp., Aluminum Co. of America, Reynolds Metals Co., and Olin Mathieson Chemical Corp.

. . .

## Commerce Dept. Revokes License For Export of Machinery to Russia

The Commerce Dept., acting on the findings of a Senate investigation, has revoked a license for the export to Russia of 45 machines for grinding ball bearings. This ends several months of controversy revolving around a \$1.5-million order that the Russians had placed with Bryant Chucking Grinder Co.

In March, 1960, Bryant obtained an export license from the Commerce Dept. and, in July, began building the machines to fill the Russian order. In 1958, machines of this type were removed from the government's list of items that may not be exported to Russia because of their strategic value.

Last fall, however, Miniature Precision Bearings, Inc., a manufacturer of ball bearings, complained to Washington, contending that sale of the machines to Russia would enable the Soviets to produce better missile guidance systems and other military items. The company was supported by the Defense Dept.

Bryant, backed by the Commerce Dept., said that similar machines could be obtained in Europe and that their machines performed but one of many equally important functions in the production of precision bearings.

The Senate Internal Security subcommittee, investigating the dispute, called in a number of witnesses, among them officials of ball bearing manufacturing companies.

On the basis of their testimony, the subcommittee recommended that the shipment not be allowed, saying that the machines would give Russia a "ready-made" capacity to produce precision miniature ball bearings.

All this may make no difference to the Russians. Bryant, assuming that it had Washington's O.K., has already mailed blueprints of the machines to Moscow.

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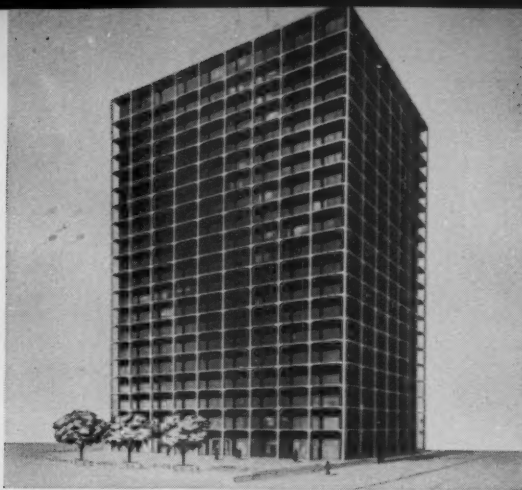
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**CLEVELAND, OHIO:** Republic High Strength Bolts were used to advantage in the construction of the new Bobbie Brooks, Inc., warehouse. Two-man crews installed the bolts quickly and easily on the 80-foot, double-pitched main trusses. Erection schedules are easily met or even shortened with Republic High Strength Bolts. Send for illustrated folder.



**CHICAGO, ILLINOIS:** Republic Steel Pipe was specified for complete domestic water, gas, and steam distribution systems in the new Hartford Building (to be occupied in part as Western Department Headquarters of Hartford Fire Insurance Company Group). Use of steel pipe—black and galvanized—saved thousands of dollars.

**MONTERREY, MEXICO:** architects utilized Republic's Truscon VISION-VENT® Window Wall System for the new "Edificio Banco Popular" (Popular Bank Building). Use of this advanced system netted the immediate economies of mass-production, fast erection, design flexibility, and 5% gain in usable floor space (made possible by insulated panels less than 1½" thick).



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**THE SALES TEAM** Lockheed's Pres. Courtland S. Gross (right foreground), with (behind him) NATO sales team head Philip A. Colman, California Div. director of export sales development; and (left, front to back) Walter C. Smith, California Div. marketing director; Robert F. Hurt, assistant operations director; Horst D. Lux, engineer, interpreter, liaison man.



## Lockheed St

Three-year sales campaign picks F-104G as weapon, ends up with four-nation sales contract, European production setup.

Streaking across European skies these days is a souped-up version of one of the hottest U.S. military jets ever, Lockheed Aircraft Corp.'s needle-nosed F-104G Super Starfighter.

It bears the markings of four European nations—including the Luftwaffe's Iron Cross (picture, above). At the controls are newly trained pilots from West Germany, Italy, Belgium, and the Netherlands. And hundreds more are learning.

These NATO allies have selected the F-104G from a field of 14 contending planes as the weapon around which to modernize and strengthen their air arms.

Late last year, at NATO headquarters near Paris, the four Defense Ministers signed a \$1.5-billion contract for 1,075 F-104Gs, about three quarters of which will go to West Germany. In return, the four nations received licensee rights to produce the plane themselves in European plants, with European-made planes included among the 1,075 contracted for.

This is the largest sale of its kind in NATO history.

It took the Lockheed sales team (picture, left) more than three years to land



**THE PLANE** Super Starfighter, shown flying with German markings over Lockheed's Palmdale, Calif., plant, was developed as fighter-bomber and interceptor to meet West German and NATO air needs.

## ed Strategy Wins European Plum

the contract in one of the roughest knockdown sales fights in aviation history. During that time, Lockheed had to top competing U.S., British, French, and Swedish jets. Here's how the company did it.

- **NATO's Need**—Lockheed began its drive early in 1957, at a time when the need of NATO countries to modernize their fighter-interceptor aircraft had become apparent. Most of them, including West Germany, were operating obsolete air forces built around U.S.-donated equipment such as the Republic F-84 and RF-84F, and the North American F-85. All had been used successfully during the Korean War but were being fast outdistanced by later, more sophisticated jets.

NATO's force improvement goal required a versatile aircraft. Several were flying or under development in the mid-1950s; but with several U.S. manufacturers itching to sell planes overseas the U.S. government could not favor one over the others. It could only suggest that NATO direct its member countries to find a weapon to fill their common needs.

Moreover, the U.S. had no intention of financing entirely the re-equipment of these air forces. Many NATO countries were on solid enough ground financially to equip themselves.

- **Pinpointing the Market**—A careful look at the situation convinced Lockheed that West Germany, Italy, Belgium, and the Netherlands would be the only NATO countries actually in the market. The company reasoned



**FIRST BUYER** West German Defense Ministry officers look over Lockheed plant in one phase of company's three-year campaign to sell plane to West Germany's air force. Success with Germans led to sales to Belgium, the Netherlands, and Italy, and an intricate licensing setup for production of F-104Gs in all four countries.



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correctly that as France and Britain had developed their own jets, they would probably not switch to a foreign plane. Other NATO countries such as Greece, Turkey, and Portugal couldn't afford to finance their own force improvement.

Of the four prospective clients, Lockheed figured that West Germany was the biggest potential market and thus the one to be sold first.

West Germany was looking for a dual-capacity aircraft, one that could carry out fighter-bomber chores as well as operate as a fast high-altitude interceptor. Lockheed didn't have such a plane. But it did have the F104, a plane that could get up high and fast. By modifying it, adding more armament and electronic equipment, Lockheed came up with a plane that could fill the bill, the Super Starfighter.

• **Sales Pitch**—Armed with this plane, Lockheed's sales team, headed by Philip A. Colman, then executive engineer in the marketing department of Lockheed's California Div., now its director of export sales development, got down to mapping out particulars for the coming sales blitz of Europe. Colman decided to take advantage of the West German's well-known love and affinity for technical information, and to base his sales pitch for the F104G on its technical points. Thus, Lockheed ran extensive performance tests.

Further, Lockheed decided to aim its pitch more at the Luftwaffe's field grade officers, the majors and colonels, than at the generals. Colman figured that field officers had immediate command over the pilots who flew the planes, had more contact with the actual air operations. If they could be sold, their judgment would carry great weight with the high command.

• **First Move**—So, with briefcases bulging with technical information and a small model of the plane, Colman began phase one of the operation.

In May, 1957, Colman, together with some half-dozen technical specialists, first visited NATO headquarters near Paris. They made a 10-week circuit of prospective buyers: from Paris, to Brussels, the Hague, and finally Bonn. The main objective simply was to persuade interested Europeans to come to the U.S. and fly the plane.

• **Hurdle**—Later that year, after several visits had been exchanged, it was clear to Lockheed that West Germany was seriously interested. At this point, Lockheed's selling job was complicated because West Germany, though a NATO member, was still not completely trusted by some of its NATO partners.

NATO's need for an active West German participation already was evident and the Luftwaffe was being reactivated. But Lockheed wasn't able to talk as specifically as it wished.

"Our biggest technical advantage was the three minutes it takes the Super Starfighter to accelerate from subsonic to Mach 2 [from less than the speed of sound to twice that speed]—and we couldn't tell them about this at first," says Colman. "I couldn't give out specifics on speed, fire control, or anything like that. I could claim the plane was the best but I couldn't prove it."

Soon, however, West Germany became accepted as a full NATO partner and received U.S. Air Force clearance to test-fly the plane. It was now privy to anything Lockheed and its competitors wanted to tell.

• **Contest**—By December, West Germany's choice had narrowed down to two U.S. planes, the F-104 and Grumman Aircraft Engineering Corp.'s F-11F Super Tiger, and the French Mirage III.

According to Lockheed, the climax of the competition between the two U.S. planes came late that month during a West German visit to Edwards Air Force Base in California.

Lockheed says that in one demonstration, the F-11F made a neat landing, then blew a tire. The Super Starfighter landed perfectly.

On the following day, West German pilots raced the two planes to 50,000 ft. The F-104 made it in five minutes. According to Lockheed, after six minutes the pilot of the F-11F was asked, "Wo sind Sie?"—he was still trying to accelerate enough to get up to 50,000 ft. (Grumman agrees its plane didn't make it so fast as the F-104G, but gives no figures.)

• **French Competitor**—Lockheed still had to face formidable French competition. The Dassault Mirage III was both a fighter-bomber and high-altitude interceptor.

Dassault and Lockheed slugged it out in a hard, often not pretty fight. Whispering campaigns were aimed at both planes. Lockheed's was tabbed a "pilot killer." Later, stung by an alleged whispering campaign against its own Mirage III, Dassault let fly a public blast.

This statement, signed by Serge Dassault, chief of Dassault's Test Flight Div. and son of owner Marcel Dassault put it: "The F-104 proposed to the Germans is a new aircraft whose radar is different from that used in the U.S. Our Mirage III should have nothing to fear from this fictitious competitor for which our German friends will have to pay the development costs."

• **New Tactics**—Although the sales battle was seemingly at a stalemate, Lockheed made one important discovery—that West Germany, and probably other nations, wanted to make their weapon themselves. Lockheed realized that licensing out production would reduce its profits. But the com-



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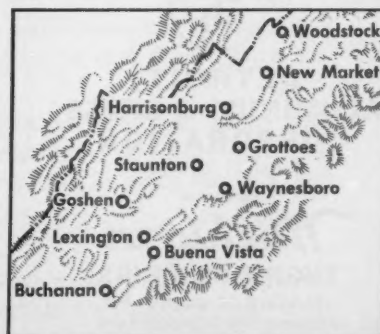
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pany decided it stood a better chance of making more sales this way.

For such a sales pitch, Lockheed had a producibility study run by assistant operations director Robert F. Hurt. It enabled a prospective client to see quickly what it would cost to make various parts of the plane.

Lockheed decided to persuade West German manufacturers that the aircraft would be easy to make.

Hurt, together with several other production specialists, spent the summer of 1958 in Germany working on manufacturers. In June and July they contrived to get the manufacturers to agree in the presence of government officials that the plane was indeed easy to produce. This just about clinched it.

On top of that, the Super Starfighter proved to be technically more advanced than the Mirage III, and that's what West Germany was after.

• **Slow Work**—Still another year of negotiations remained, centering now on the manufacturing arrangements. It was slow work because Lockheed's customers were governments. With West Germany, for example, Lockheed had to wait for the West German Defense Ministry to pick the manufacturing team, then moved in as production consultant.

Similar arrangements were made independently with European manufacturers by principal subcontractors such as General Electric Co. (the F-104's engine), North American Aviation, Inc.'s Autonetics Div. (the fire control system), and Litton Industries, Inc. (guidance system). Of the 11 major electronics subcontractors on the F-104 project in Europe, six are subsidiaries of U.S. companies, five are European companies.

• **Other Customers**—Lockheed got two important boosts in May and December, 1958, when the F-104 captured world records in speed, altitude, and time-to-climb performance.

Formal closing of the sale to West Germany in March, 1959, gave a further boost to sales efforts elsewhere, because of Germany's recognized emphasis on technical superiority and West German enthusiasm for the F-104G.

Lockheed's next sale was to Belgium. (Simultaneously, other Lockheed sales teams sold the plane to Canada and Japan.) Last year, Italy and the Netherlands were added to the list. All sales involved early production by Lockheed of two-seat F-104F's, used as trainers, with the bulk of the remaining production under license in the customer countries.

The German license, says Lockheed, served as a "boiler-plate pattern" for subsequent licenses. Lockheed concluded that consistency was necessary because customers would compare notes. The company won't say how much it

makes out of the license deals, but talk among Europeans close to the aviation industry is that Lockheed is getting up to 15% in royalty fees from West European production.

Lockheed has found, however, that there was no pat sales formula for foreign customers, since each put a different emphasis on certain specifics. Where Germany put primary stress on technical features, for example, Belgium's first concern was with economic factors—how the purchase would affect its balance of trade position.

• **Intricate**—Production arrangements for the F-104 in Europe have welded an intricate industrial structure within NATO countries that have bought the plane. Production supervision for Germany, Belgium, the Netherlands, and Italy is carried out by an "Organisme de Direction et de Controle," with representatives from each defense ministry. Under this, Lockheed's own European director for the F-104, John Pitkin, supervises a Lockheed staff assigned to each plant. These men will stay in Europe an average of 18 months to train their counterparts.

For the German effort alone, Lockheed has trained 165 German technicians at its California plants for an average four weeks each, and has airlifted over six tons of blueprints, flight manuals, and other paperwork to Germany.

Over-all European production of 33 planes a month is distributed geographically rather than strictly by countries. A South Group of four German plants—Messerschmitt, Heinkel, Siebel, and Dornier—is geared to produce six planes a month. A North Group including Belgian and Dutch plants—Fokker, Aviolanda, Focke-Wulf, and two Hamburger plants—will put out 14 a month. Two Belgian plants, SABCA and Avion-Fairey, comprise a West Group producing six a month. Italian production—by Fiat with other companies as subcontractors—will be seven planes a month.

The planes don't necessarily stay in the country where the plant is located, nor is the entire plane built at one plant. At the start, Lockheed made thousands of parts in the U.S. to ship to Europe; production of various sub-assemblies is now shifting to Europe. General Electric has licensed production of the F-104's J-79 engine to German, Belgian, and Italian companies. And plane production can be shifted from group to group to meet new needs.

This intricate licensee arrangement has created a cost problem, since adapting the plane to this setup has brought up its price. Lockheed says the original quoted price per plane has risen "above \$1.2-million." Europeans saw the figure is closer to \$1.5-million. **END**



# INTERNATIONAL OUTLOOK

**BUSINESS WEEK**

**MAR. 11, 1961**



Crises in Africa and Southeast Asia are today's news. Troubles in Latin America, beyond Cuba, most likely will make tomorrow's headlines.

Symptomatic of the trend is the radically new approach to Brazil's foreign affairs being struck off by the nation's enigmatic new president, Janio Quadros. In his first six weeks in office, Quadros has begun fulfilling his inaugural promise of "independence" in foreign affairs—meaning independence of U.S. influence. He has:

- Resumed diplomatic relations with Russian satellites Romania, Bulgaria, and Hungary, possibly as a prelude to establishing ties with the Soviet Union.
- Ordered Brazil's delegation in the United Nations to vote in favor of debate on the seating of representatives from Communist China. Observers in Rio de Janeiro believe there is a good chance Brazil will also vote for Communist China's admission and will recognize the Peking regime.
- Extended an invitation to Yugoslavia's Marshal Tito to visit Brazil. Brazilian officials have let it be known that India's Nehru, United Arab Republic's Nasser, and Ghana's Nkrumah may receive similar invitations.
- Deliberately snubbed Pres. Kennedy's coordinator of inter-American affairs, Adolf Berle, during Berle's visit to Brazil. Quadros has also been less than warm toward the U.S. ambassador and a "Food for Peace" mission. Nor has he appointed an ambassador to Washington.

So far, Quadros has not indicated how far he intends to go. Observers in Rio believe that he will push the U.S. hard but not far enough to alienate Washington, from which Brazil, inflation-ridden and broke, needs financial assistance.

The reasons Quadros is leading Brazil in this direction are beginning to emerge. As a first step, he probably wants to put Brazil in a strong bargaining position vis-a-vis the U.S. The Brazilian finance minister, Clemente Mariani, is coming to Washington shortly to discuss a U.S. offer of \$100-million in financial assistance.

For the long haul, Quadros is probably motivated by one or more of several reasons. He wants to:

- Make his economic austerity program more palatable at home by showing that it is not being forced on Brazil by foreign interests. This is particularly appealing to anti-U.S. leftwingers, whose political support Quadros needs.
- Wean Brazil's nationalistic movement away from the Communists, who have been playing up to nationalism all over Latin America.
- Assume a role of personal leadership in Latin America. Quadros may be able to do this by capitalizing on the same forces that Fidel Castro has, especially "anti-Yanquismo."
- Elevate Brazil to an influential position in world affairs. Along with countries such as India, Brazil might exert significant power by espousing neutralism and becoming a part of a balancing force between the U.S. and its allies and the Communist bloc.

Quadros' actions clearly have caught Washington officials off guard. They think Quadros believes that Brazil's interests are closely aligned with those of the U.S. But they aren't sure and say that it's too early to tell whether Brazil will end up with us, against us, or in the middle.

# INTERNATIONAL OUTLOOK (Continued)

## BUSINESS WEEK

MAR. 11, 1961

Elsewhere in Latin America, watch these worrisome developments:

**In Argentina,** Pres. Frondizi's government is showing leftist tendencies after absorbing a defeat at the polls last month. Frondizi is trying to regain leftist support before next year's elections.

**In Chile,** elections this week resulted in gains for leftwing parties, including the Communists, which will make it harder for Alessandri to push forward his economic stabilization program.

**In Bolivia,** the government is seriously considering a Russian offer to provide \$150-million worth of tin mining and smelting equipment. The U. S. is countering by sending an economic mission to Bolivia, which has received about \$150-million in U. S. aid in the past eight years.

**In Ecuador,** pro-Castro and anti-Castro factions and personal feuds within the government threaten its stability.

The Kennedy Administration's policy toward Cuba, largely inherited from the Eisenhower Administration, is faltering. Washington still looks on the Communist domination of Cuba as a hemispheric problem to be solved through collective action.

More and more, however, Latin Americans see the Cuban question as a dispute between the U. S. and Cuba. Some Latin American leaders have offered to mediate but few are prepared to take collective action against Cuba.

Kennedy's policy for Latin America will begin to take shape next week, when he sends his message on Latin America to Congress. It will ask for quick appropriation of the \$500-million social development fund authorized at Pres. Eisenhower's request.

Kennedy also will make a policy statement on Latin America that will set the tone for his "Alliance for Progress," the Administration's version of the Good Neighbor Policy. In this, he hopes to strike a note of urgency.

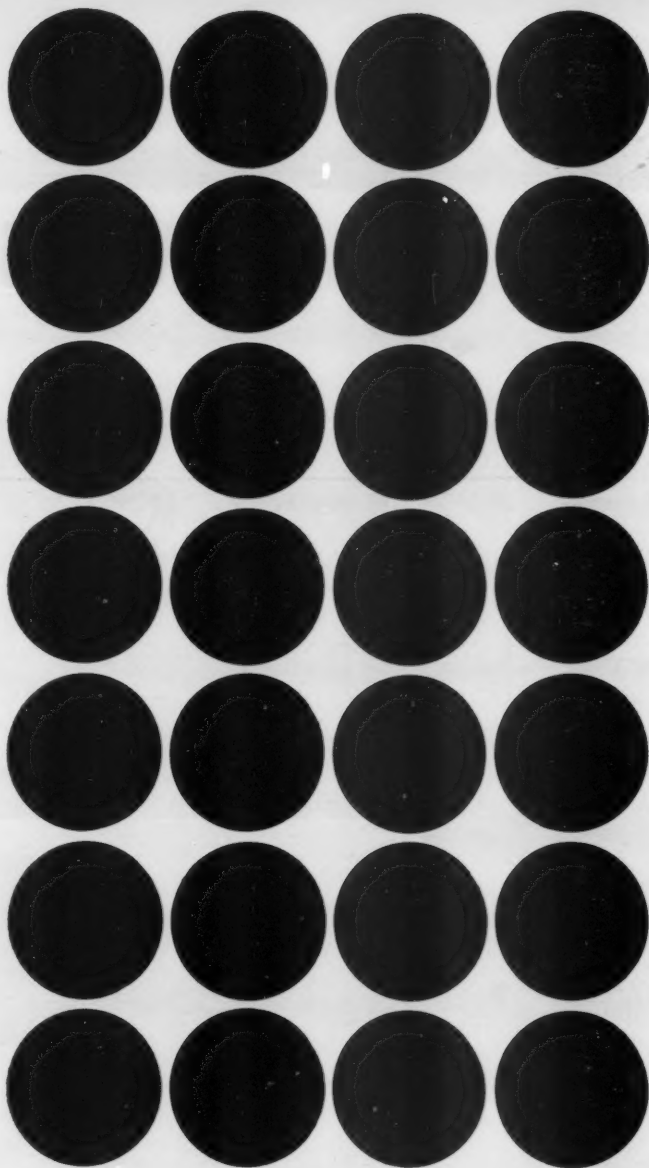


Washington is holding its breath over developments in the Congo this week. New troubles explode each day, yet faint hopes of peace remain.

The prestige of the U. N. as well as logistic support for its troops are at stake in Matadi, the post from which U. N. forces were just driven by the Congolese army. The U. N. must reassert its control there. Yet the divided U. N. command may not be capable of mounting a major counterattack. Even if it could, and there were serious bloodshed, this would further dim chances of reaching a political settlement.

Pro-Western Congolese leaders are meeting this week to try to reach at least an interim political settlement. Most hopes for ending the crisis hang on some kind of accord. But Patrice Lumumba's successor, Antoine Gizenga, at midweek had not put in an appearance. And without him no settlement would mean much.

Washington was pleased this week by the moderate tone of the U. N. speech made by Kwame Nkrumah of Ghana. He gave stronger support for the U. N. role in the Congo than he has in the past. But Washington thinks it is too soon to count on Nkrumah to oppose Soviet maneuvers in the U. N. and in the Congo.



## Small wonder

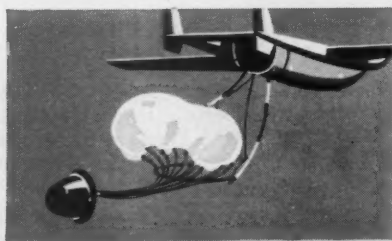
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consuming job, but a necessary one if trucks are to be kept in the best operating condition.

"One thing I like about leasing from Hertz," says one man, "is that I'm never short on trucks. If one is tied up for repairs, Hertz supplies a replacement. If I need extra trucks for peak periods, I get them fast."

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# Which Stock Market Chart Do You Use?

Chart-reading is an old craft on Wall Street, but in recent years it has gained new popularity.

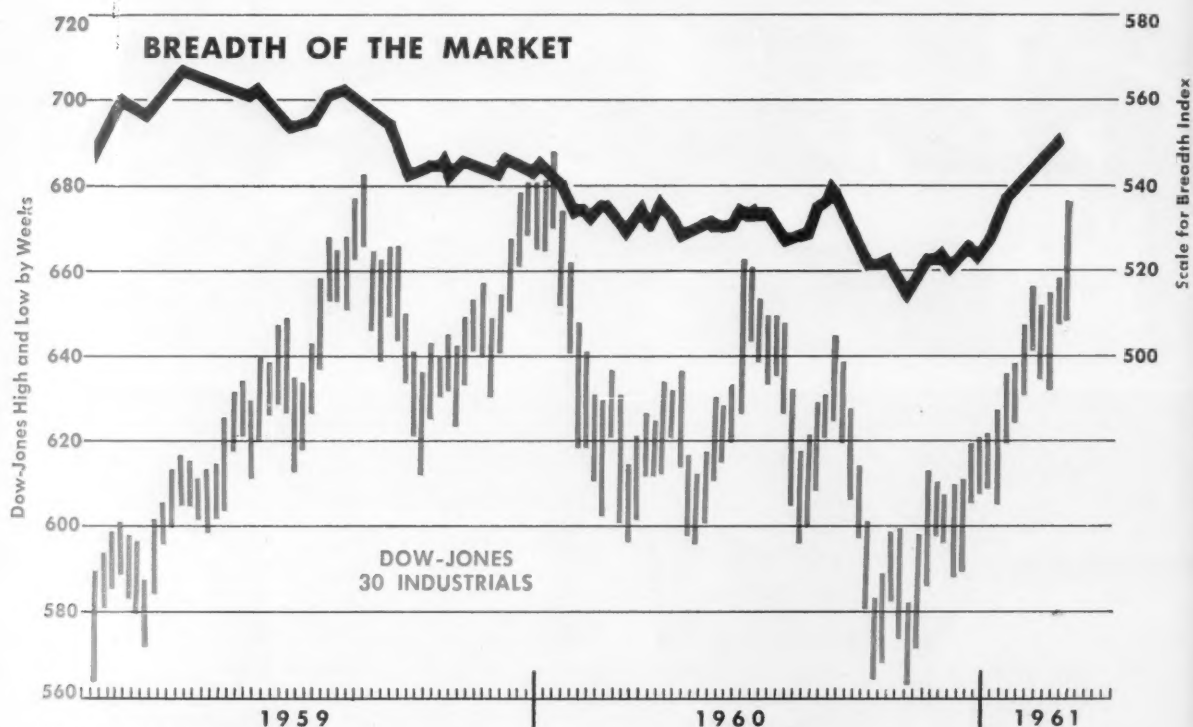
Partly this is because Wall Street suffers from having too much history too readily available. Partly it is because stockbrokers have tended more and more to lean on charts to keep abreast of the market's complexities. And partly it is because, in a market

that has climbed to new heights in the past decade, timing plays a more important role than ever—and charts, if you read them objectively, disregarding your emotions, have often proved accurate harbingers.

This is not to say that chart-reading is the ultimate in stock analysis. Outside of a few pedants, not even the most skilled chartist relies on any single chart

theory; he leans on many to round out his view of the market. Many, in fact, use charts in combination with what can be termed the fundamentals—earnings (and price-earnings ratios) and yields. But neither is chart-reading all stuff and nonsense.

The examples on these pages are designed to map the over-all market, rather than individual stocks.



Data: E. W. Tobell of Walston & Co.

## 1

To the amateur investor, the Dow-Jones industrial average (which measures the performance of 30 stocks) is the be-all and end-all of the stock market. It's also used by Dow theorists, who think it's the best guide to the trend of stock prices. But many technicians consider it a faulty, out-of-date index, to be used only as a rough indicator.

In search of a better guide, chartists have developed a breadth-of-the-market index that measures the perform-

ance of all stocks traded on the New York Stock Exchange. The theory is that measuring all the stocks gives a more accurate picture of trends than measuring only 30 stocks.

A simple version of the breadth index can be constructed this way: From the NYSE's daily number of issues that advance, subtract the number that decline; then divide the result by the number of issues unchanged. The unchanged issues put extra movement in the line; their number tends to shrink as a market swing gets under way; toward the end of a trend, particularly a bull market, their number tends to expand as resistance builds.

The breadth index above is set up with an arbitrary figure of 500 as the starting point. It is the direction of the breadth index that counts, not the percentage point differences from day to day.

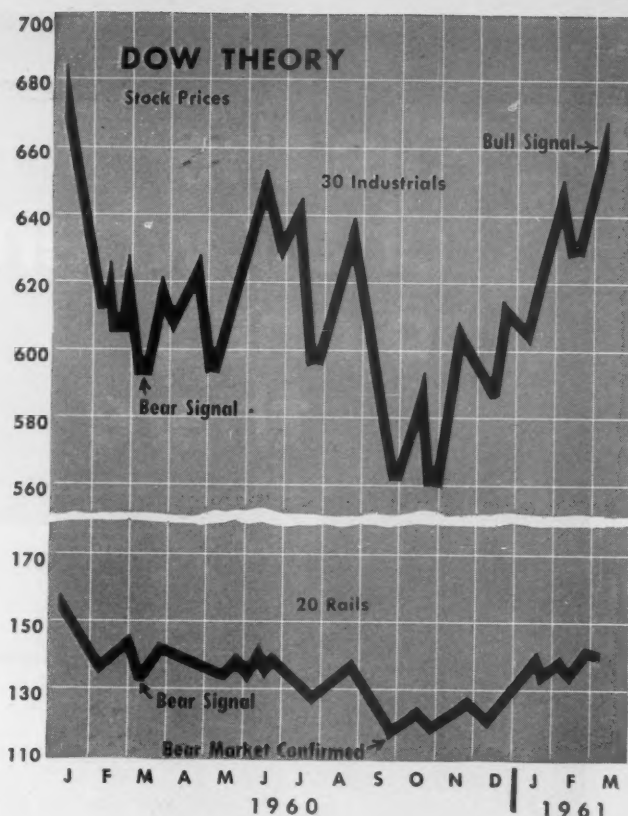
Normally, the breadth index moves in tandem with the averages. But when its direction diverges from the averages for more than three weeks, its indication is regarded as more trustworthy than the averages. For example, the breadth index touched a 1959 high in April, 1959, then went on an 18-month decline—while the Dow hit new peaks in August, 1959, and again in January, 1960.



# You Read?

2

A trend once established tends to persist. This is the premise of the Dow theory (BW-Mar.19'60,p175). At present, orthodox Dow men hold that stocks are in a bear market. The bear signal rang in March, 1960, when the rail average "confirmed" the earlier plunge of the industrial average—Dow theorists always consider the two indexes together. According to Dow doctrine, the rise since November must be regarded as merely an intermediate rally until both averages signal a change. The industrials gave their half of a bull signal by breaking through 656 last week, but the rails still haven't penetrated 146.56—their high of last March. For Dow purists, proof of a bull market won't come until the industrials better their 685 high of January, 1960, and the rails top 173, set in July, 1959.



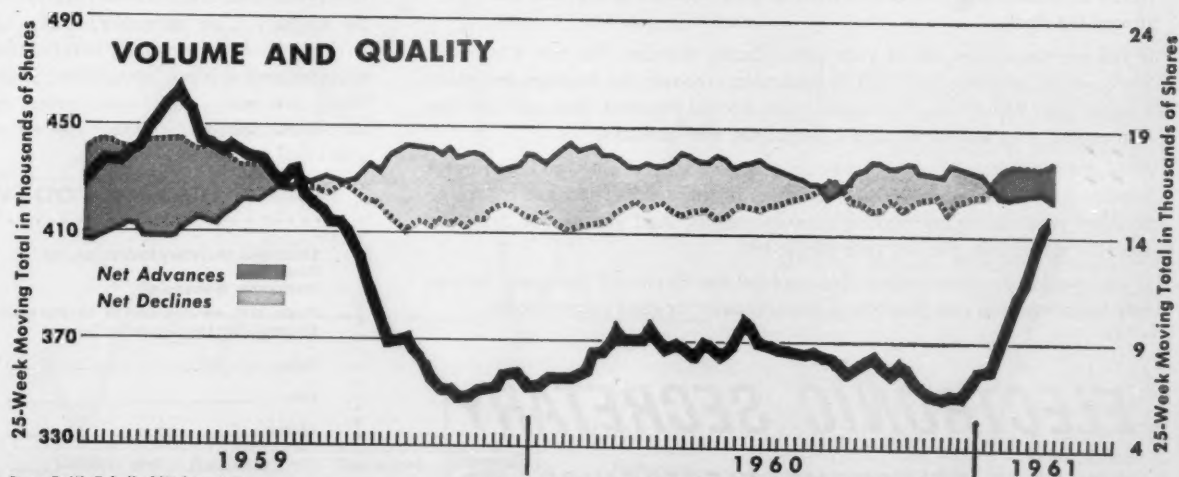
3

The quantity and quality of trading—in effect, the vigor of buying or selling pressure—is closely watched by technicians. This chart attempts to measure these factors by a 25-week moving average of volume (quantity) and the net advances or declines of all traded issues (quality).

Volume changes in the direction of price changes usually tend to be a favorable sign. Thus, a market rise on increased volume implies strength; a market rise on decreased volume suggests weakness.

Statistics also show that peak volume occurs at least several months before the peak of stock prices, which is why the current large turnover on the NYSE doesn't worry the technicians.

Statistics also show that peak volume occurs at least several months before the peak of stock prices, which is why the current large turnover on the NYSE doesn't worry the technicians.



Data: E. W. Tabell of Walston & Co.

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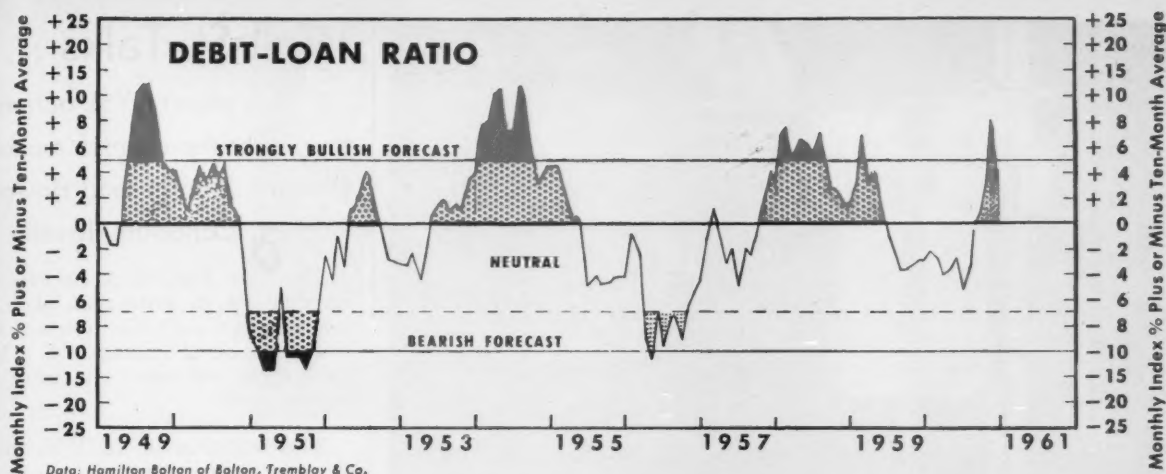
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## 4

One of the more complicated methods used by chartists is the study of money and credit flows.

In essence, the money-flow theory holds that as money and credit are expanded, more funds and credit are available for business and for securities purchases—and stock prices will rise. Conversely, when money and credit shrink, business stumbles and stock prices fall.

To some theorists, the most sensi-

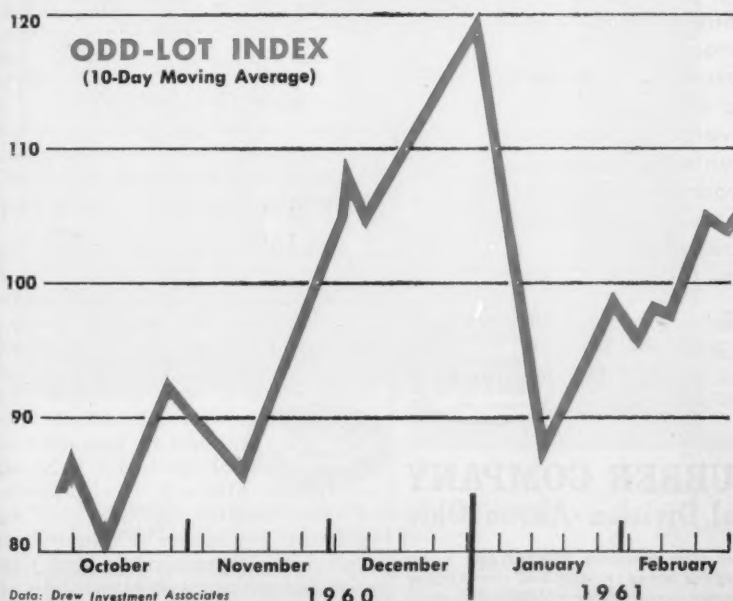
tive indicator of these relationships is the debit-loan ratio, a measure of how fast the economy is turning over its money resources. If debits (money payments, made mostly through checks drawn against demand deposits) are rising faster than loans, theorists say, spending activity will be high but it isn't being financed by extravagant use of credit—business and profits have room to grow. If, on the other hand, loans are rising faster than spending, the economy is overextending itself; debt is accumulating too fast.

Some chartists measure these relationships by first setting up indexes for bank debits (in this case, a 3-month moving average) and bank loans

(monthly figures). Debits are then related to loans in a monthly ratio. To smooth out minor fluctuations and give a long-term trend, a 10-month moving average is constructed from this ratio.

The chart above is the monthly index shown in percentage changes from the 10-month moving average. The percentage changes are small—it is the direction that counts when an investor is deciding whether to buy or to sell stocks.

For example, if the monthly index rises 5% above the 10-month average—as it has just done—this indicates a strong buy signal to "money-flow" theorists.



## 5

"The public is always wrong," is a Wall Street adage. But, to technicians, the real point is that the public seems, for psychological reasons, to miss important turns in the market. It is these shifts in sentiment—compared to the trend of stock prices—that the odd-lot indexes try to catch. The index at the left is derived from the ratio of odd-lot sales (less than 100 shares) to purchases, smoothed out by a 10-day moving average. Lately, odd-lot traders have been heavy sellers of stock while the market was moving up, a sign that the public is still skeptical toward the rise in prices. Odd-lot analysts feel the public will be wrong again. **END**





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## Wall St. Talks . . .

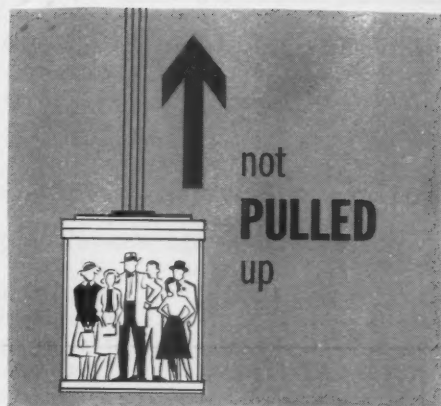
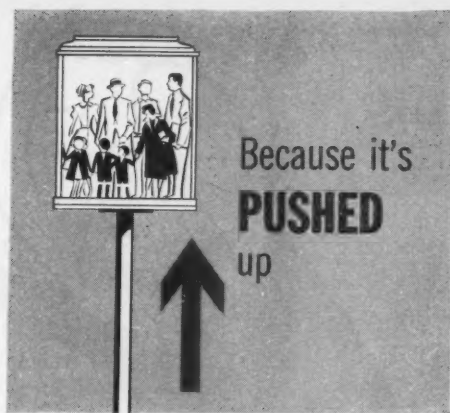
. . . about NYSE automation, over-the-counter market, Howard Johnson and Howard Hughes, Canadian Javelin.

The New York Stock Exchange is speeding up its automation plans. It hopes to cope more effectively with the rising volume of trading with a teleprinter that will operate at twice the current speed.

Representatives of 16 Wall Street firms met quietly last week to decide what to do about the over-the-counter market, where trading activity is at a peak. About the only thing they could agree on was that "the whole situation had gone completely out of hand and become unmanageable." The number of new issues traded has trebled, and execution of orders has slowed considerably as long delays are frequent in obtaining quotes. Brokers will try to discourage clients from asking continuously for quotes on little-known companies. But this may be hard to do—customers want frequent quotes because prices in the O-T-C market fluctuate so much.

Howard D. Johnson and Howard R. Hughes, who have little in common but wealth, were both reported to be considering public sales of shares in their companies. Of the two, Johnson is closest to market. His company, which does better than \$150-million a year in restaurants, motels, and frozen foods, is expected to file with the SEC for an offering within a month. Blyth & Co., Inc., will be the underwriter. Hughes, who has been avidly courted by Wall Street for years, has no definite plans either for Hughes Tool Co. or Hughes Aircraft Co., but it is rumored that one underwriter may have succeeded in interesting him in a "new" formula for going public.

Canadian Javelin, Ltd., which once was barred from all trading in the U.S. by the SEC but is now listed on the American Stock Exchange, surged to a new high of 16 this week on reports that Pres. John C. Doyle may sell his stake—which is close to control—to a syndicate of "very substantial" investors. These investors are rumored to include several of the largest U.S. steel companies. Milton S. Gould, Javelin's attorney, confirms that talks have been going on, but he says they are still very tentative, with tremendous legal, financial, and geological problems still to be solved.



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# In the Markets

. . .

## Stock Prices Dip Slightly This Week, But the Bulls Don't Seem to Be Fazed

Stock prices suffered a setback this week, and many analysts were predicting that it was the beginning of a long-awaited reaction. The Dow-Jones industrials index climbed over 672, just 13 points below its all-time peak, before retreating to 666 at midweek.

This was a very moderate decline, with many issues managing to forge ahead. It's probable that the index will slide somewhat further, and may experience the 5% correction that technicians feel is warranted after so long an advance; but Wall Street is still very bullish, and any decline is apt to trigger new buying that will lead to a successful assault on the old high.

While the over-all market has gone up almost without a setback since last October, individual groups and issues have been experiencing reactions in line with changes in investor sentiment. Thus, a serious decline may not occur until public enthusiasm for equities begins to weaken.

This is not happening as yet, although many corporate insiders are taking advantage of the rise to pare their holdings. Even this week, the drop in stock prices brought new buyers off the sidelines, limiting the declines. And some stocks—Brunswick Corp., American Machine & Foundry, International Business Machines, Mead Johnson—were in extremely heavy demand, which sent their prices soaring.

The demand for stocks is not only based on confidence in the business outlook or on fears of a new bout of inflation. Investors have funds available and are being drawn into the market simply because prices are rising.

. . .

## Murchisons and Kirby Smoke Peace Pipe In Attempt to Settle Alleghany Squabble

There was talk of peace this week between the Murchison brothers of Dallas—John and Clint, Jr.—and Allan P. Kirby in their squabble over control of Alleghany Corp. Both sides agreed not to solicit proxies from Alleghany stockholders until a last attempt at a settlement was made this week. Last week, the Murchisons won a five-and-a-half month court fight for a copy of Alleghany's stockholder list, and they now are thought to have about as much stock as Kirby.

Under the proposed settlement, four additional seats would be made on the present nine-man Alleghany board for Murchison interests. The truce was apparently urged by directors of the mutual funds managed by Investors Diversified Services, Minneapolis-based investment company, which is the prize package in Alleghany's portfolio. Evidently, they fear a fight for control of Alleghany will dim prospects for IDS.

A similar peace movement broke down last fall. A big roadblock then, according to the Murchison inter-

ests, was the role Randolph Phillips would play in IDS' future. Phillips is the former Alleghany consultant who brought litigation that challenged the late Robert P. Young's deal to shift control of IDS from Alleghany to the Murchisons. Kirby has now put Phillips into a top spot at IDS. The Murchisons and Phillips don't see eye to eye, but Phillips has just dropped two court actions he had filed against the Murchisons.

. . .

## Reliance Mfg. Co. Shares Rise and Fall As Merger Rumors Spark Speculation

Reliance Mfg. Co., a New York apparel company, was the big mover on Wall Street this week, running up from 23½ to 32 and then back down to 24—when trading was suspended by the New York Stock Exchange.

The surge was touched off by speculation that Reliance was about to merge with another apparel manufacturer. Reliance officials admitted negotiations were in progress, and later Jonathan Logan, Inc., confirmed that it was talking merger with Reliance, although no terms had been reached.

On Wednesday, the two companies abruptly announced that discussions had been broken off. Reliance shares promptly sank back to 24, and trading had to be suspended. When it reopened, Reliance traded at 22½.

. . .

## Armour and Alabama Town Work Out Plan To Finance Plant With Tax-Exempt Bonds

Armour & Co., the nation's No. 2 meat packer, has worked out a neat—and inexpensive—plan to acquire a \$25-million chemical plant, with no downpayment and 26 years to pay. In the process, investors will get a crack at a highly unusual bond issue: \$25-million of tax-exempt 4½% industrial development bonds of the town of Cherokee, Ala.

The plan works like this: Cherokee will borrow \$25-million in the open market, then buy up about 1,000 acres of Tennessee River waterfront, and build the chemical plant. Armour, in turn, has agreed to take a long-term lease on the plant at about \$900,000 a year. Interest and principal payments on the bonds will come "solely" from Armour's lease payments. So the Cherokee bonds, in effect, are a direct obligation of Armour, and in fact are senior to the long-term debt that it has outstanding already.

The issue is creating a stir. First, there's the high tax-exempt yield—the top yield of 4½% is equal to 9.5% if you're in the 50% tax bracket—secured by an A-1 industrial credit.

More important, the Cherokee issue, which is being underwritten by Gloré, Forgan & Co., is bound to add to the controversy over whether the tax exemption accorded states and municipalities ought to be restricted (BW-Dec3'60,p93). If the Cherokee issue were an industrial borrowing, under normal circumstances it would be fully taxable. But because Cherokee, rather than Armour, is doing the borrowing, it is tax-exempt.

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# Clash Over Radio Use of Space

There's room in the near future for only one big commercial system using satellites to relay messages, and giant companies are fighting for the inside track.

The U.S. government's plan to develop a worldwide communications system using orbiting satellites is crackling with controversy.

Immediate row is over the radio frequency bands to be used in communicating with the satellites. Behind that lies the rivalry of major companies to be top dog in what is pretty sure to be limited, at least for a time, to a single commercial communications system. High costs, plus the enormous message capacity of the system, pretty well preclude any additional systems.

There's also a feeling in the industry that much of the excitement over the selection of satellite systems is not really over satellites at all. It's over the big block of radio frequencies that such systems would occupy. These frequencies, if reserved exclusively for use by the operator of a satellite system, would also be an invaluable asset down on the ground.

• **Big Rivals**—The rivals include giant names: AT&T and RCA among the communications companies, electronic suppliers such as General Electric, and the makers of rocket boosters, including Lockheed. The company that gets the development contract from the National Aeronautics & Space Administration is expected to have an inside track in whatever commercial system evolves.

AT&T took an early lead in the field, announcing last October that it was ready to spend \$170-million on space communications. The company said that the first satellite, capable of relaying messages for about 35 minutes three or four times a day, could be operational within a year.

• **Series of Proposals**—On Jan. 19, the Federal Communications Commission gave AT&T permission for temporary experimental use of frequencies in the 6,325-6,425 megacycle band for ground-to-satellite transmissions and 4,100-4,200 mc. satellite-to-ground.

Five days after FCC's action, NASA called in some 40 private companies and laid out requirements for an active communications satellite system to be called Project Relay. For this, NASA proposed frequencies of 400-500 mc. ground-to-satellite and 2,200-2,300 mc. satellite-to-ground. Proposals were called for by Mar. 6, with the first satellite to go into orbit in mid-1962.

Just a month later, on Feb. 24,

NASA informed the same companies that their proposals should also include frequencies in the 5,925-6,425 mc. band for ground-to-satellite and 3,800-4,200 mc. satellite-to-ground. The deadline for proposals was set back to Mar. 20, and proposals were made contingent on development of equipment needed for the added frequencies by mid-1962.

• **Favoritism Charge**—Furious, AT&T's rivals charged that the new bands gave AT&T a huge advantage—because they included the frequencies already allocated for AT&T experiments.

NASA replied that it added the new bandwidths at the request of foreign countries participating in the program, notably Britain and France. The agency added that it had picked the original bandwidths because communications equipment to use them already existed. Others noted that the 400-500 mc. band is already loaded with industrial and public safety radio services. The 2,200-2,300 mc. band has been allocated to the government, but has not been put to official use.

• **Government Participation**—While rivals of AT&T continue to scorn NASA's explanations, there is a more significant question in the air: Will a private company make, own, and operate the space communications satellite system, operating it as a common carrier just like undersea cables and radio-telephone systems; or will a government agency like NASA retain control of the system management? AT&T wants to handle satellite systems just like the present telephone system in the U.S. Other common carriers such as RCA and AT&T would also prefer private operation. Equipment manufacturers find themselves torn. They are

not overly anxious to see the government take over completely, yet they think they would have a much better chance at getting a larger part of the hardware and management contracts as well as freer use of a government-operated system than they would in a system made and operated by AT&T.

NASA feels that it has no ironclad assurance that industry ever will develop such a system, and that it must remain in the field until the creation of a system is assured. Right now, NASA has \$37.7-million scheduled for Project Relay.

• **Big Proposals**—Meanwhile, at FCC, some indications of what might be done in space communications began to appear. At FCC's request, a score of proposals were filed by industry. Some of them ranged far beyond AT&T's plans:

General Electric suggested that 10 satellites be put in orbit 6,000 miles above the earth's surface. The satellites would maintain a specific geometrical relationship to each other with a tolerance of 1% error. The system would cost \$280-million, and an equatorial launching base would be needed. In the present state of rocket booster development, it would be very hard to get the satellites into their preordained relationship. (In contrast, AT&T wants to fire 40 or 50 satellites in less precise polar orbits, using existing launching sites.)

RCA's proposal looked very ambitious to most observers, in the light of present rocket and missile techniques. It called for three synchronous satellites orbiting at an altitude of 22,000 miles. Their speed would be matched exactly to the speed of the earth, so that they would seem to hover over a single spot. Military plans already call for hovering satellites, but they are still some years in the future. The simplest way to launch them would be from large orbiting space platforms, and such platforms won't be available in the U.S. until 1964-65, when the second-generation boosters come into use.

## Housing Aid for Special Groups

Kennedy's message to Congress mainly suggests ways of providing housing for low-income groups, elderly persons.

Pres. Kennedy's housing program sent to Congress this week is primarily a bundle of specially tailored insurance, loan, and subsidy programs aimed at stimulating a sluggish industry by reaching into special markets. The new proposals are intended mainly to help provide low-cost housing for low-income families and for the elderly and to

make wider use of urban renewal and slum clearance programs. Under the program, middle-income home buyers will continue to get FHA mortgage insurance and other standard benefits.

At the same time, Kennedy again declared his intention to create a new Dept. of Housing & Urban Affairs, thus

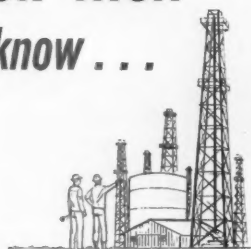




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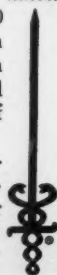
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giving the city dweller a voice at the Cabinet table.

Kennedy's specific proposals are based on these economic facts: 8-million families earn less than \$2,500 a year; 7-million more earn \$2,500 to \$4,000; one-third of non-white families live in substandard homes.

During the next few years, these markets have to be tapped if housing construction is to be the prime economic prop it has been since the end of the war. By 1970, the housing market will change again; then, says Kennedy, 2-million homes a year will be needed to supply the demand from new families formed by young people born during the postwar baby boom.

• **The Program**—This is the crux of Kennedy's message:

- He asks authority for the Federal Housing Administration to experiment for a year to 18 months with no-downpayment, 40-year mortgages for homes in the \$13,000-\$15,000 price range. These terms are now available only to those displaced by public housing or urban renewal programs.

- For lower income families who can't afford private housing now, he asks a special fund for the Federal National Mortgage Assn. to finance rental and cooperative housing. For low-income families, he also wants Congress to authorize 100,000 public housing units. (In recent years, authorizations have run at 35,000 annually).

- For the elderly, Kennedy would add \$50-million to the government's authority to make direct housing loans. Furthermore, he wants 50,000 of the public housing units earmarked for the elderly. And he asks that the ceiling on cost per room be boosted by \$500, and the government's per-room subsidy payments be increased by \$10 per month per unit.

- For urban renewal, Kennedy wants speedier processing of the programs, a wider discretion given to communities to designate areas that qualify for federal subsidies. And he asks for an additional \$2.5-billion to be put into the federal urban renewal fund for use over the next four years.

Kennedy suggests that increased compensation be allowed to businesses displaced by urban renewal programs.

He also proposes that authorities be permitted to resell "at a realistic price" existing housing in blighted urban renewal areas for rehabilitation. Urban renewal programs now sweep blocks clean, even though older housing might be modernized into first-class attractive homes.

For present homeowners, Kennedy asked for new authority for FHA to offer more attractive home improvement loans at lower interest rates. **END**

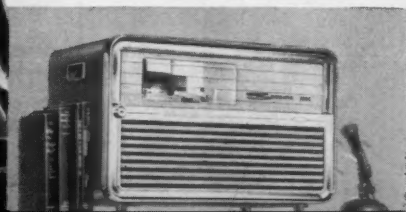
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# Advertising Tips

FROM BROWN & BIGELOW SALESMEN

## How Many of These 10 Vital Jobs Does Your Advertising Neglect?

By Roy E. Wolford, Knoxville, Tennessee  
Executive Advertising Counselor, Brown & Bigelow



• If you sometimes wonder how good an advertising job your company is doing, run through the following check list of 10 items. See how many your company advertising covers:

- 1) *Reviving inactive accounts.*
- 2) *Reaching and developing new accounts.*
- 3) *Prospecting your undeveloped markets.*
- 4) *Maintaining customer development campaigns.*
- 5) *Reaching executives your salesmen don't see.*
- 6) *Assuring continuous representation between salesmen's calls.*
- 7) *Acknowledging orders impressively.*
- 8) *Reaching the "man in the back shop" who influences product preference.*
- 9) *Insuring top customer preference.*
- 10) *Securing cooperation of jobber and dealer salesmen.*

• These are the vital jobs most commonly neglected for want of definite advertising plans pinpointed on these problems. How long since your company, for example, has made a concerted drive to

recover valued inactive accounts? Do you maintain a specific plan for regularly contacting and developing new accounts?

• I offer these as examples of how you can use the experience and help of Brown & Bigelow and Remembrance® Advertising. We will develop for you a specific and field-tested advertising program for any of these or other projects with which you may need help.

• This check list illustrates why every business *always* has use for at least one form of Remembrance® Advertising the year around. Remembrance® Advertising does not attempt to replace other forms of advertising. It complements, strengthens and rounds out your advertising program. It helps fill the gaps and pinpoints your effort on specific needs.

• In every community there is at least one full-time professional representative of Brown & Bigelow. He's a good man to contact for advertising ideas and help.

• If you want more information, clip this ad to your letterhead, check the projects you are interested in, and mail to our Advertising Department.



★ ROY WOLFORD is a graduate of Nebraska State Teachers College, former high school superintendent, and for 29 years an outstanding Brown & Bigelow sales representative in Tennessee. He is a member of the National Sales Executive Club and is active in the Executive Club of Knoxville and other civic organizations.

Write Dept. A-14 for additional information or for the name of the Brown & Bigelow representative in your community.

## BROWN & BIGELOW

### Remembrance® Advertising

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A DIVISION OF STANDARD PACKAGING CORPORATION

## Equal Job Rights

Kennedy tightens anti-discrimination clause in government contracts and sets up new enforcement group.

The Kennedy Administration this week armed itself with new enforcement powers against racial job discrimination on federal projects and indicated it is preparing for a showdown with government contractors and labor unions that violate the federal ban against discriminatory hiring methods.

In an executive order issued from the White House, Pres. Kennedy (1) tightened the anti-discrimination clause for both contractors and unions working on government contracts, and (2) established a new organization, the President's Committee on Equal Employment Opportunity, and gave it authority to police the contracts.

This is the first time the government has been given the power to initiate such investigations. The President named Vice-Pres. Lyndon B. Johnson as chairman of the committee and Labor Secy. Arthur J. Goldberg as its enforcement officer. The Labor Dept.'s wage-and-hour field investigators will conduct the investigations.

• **Reports Required**—Under the new order, which becomes effective in 30 days, contractors are required to file reports with the committee showing they are complying with the contract. Their reports must also detail the membership policies of the unions they deal with. If the unions decline to furnish such information, the employer must certify this in the report. The committee may publish the names of contractors and unions that violate its rules.

The new committee supersedes the government contract compliance committee of the Eisenhower Administration headed by Vice-Pres. Richard M. Nixon.

The final penalty for contractors who fail to comply with the anti-discrimination clause is termination of the contract, as it was under the old system. The new committee also will emphasize persuasion and mediation with contractors to seek compliance, as did the Eisenhower Administration.

• **Tighter Rules**—Otherwise, the Kennedy Administration's rules are tighter all along the line. The biggest change is the enforcement provisions, with the Labor Dept.'s regional offices authorized to move against violators. Under the Eisenhower Administration, an investigation could get under way only after complaints had been received from individuals who had been refused jobs they sought. **END**



# PERSONAL BUSINESS

BUSINESS WEEK

MAR. 11, 1961



Your son or daughter probably is asking: Just what would a job overseas in the Administration's proposed Peace Corps involve?

Here are some of the main points in the scheme:

The basic idea, of course, is to help underdeveloped countries of Africa, Asia, and Latin America. Some 12 countries already have expressed interest, with Chile, Colombia, Haiti, Mexico, Nigeria, Pakistan, and the Philippines slated to be among the first host nations.

Projects will fall in five areas, to start: teaching languages, including English; fighting diseases, such as malaria and typhoid; improving farm methods—seeding, animal care, irrigation; working on large-scale construction—dams, factories, even new cities; and serving in local government.

Corpsmen will work on a foremen level, demonstrating techniques and teaching in classrooms. Members will work and live with the peoples they serve, and on the same economic and social level (except that the U. S. will be responsible for their medical care). They'll get only a modest living allowance during service, and severance pay back in the U. S. amounting to \$50 to \$75 for each month abroad.

Recruitment—for college students—will be on campus, with applications to be ready by about April 1. Idea is to take mostly graduates, at first, and only people 18 or over will be considered. Training, at special college centers now being established, will last six weeks to six months. The emphasis will be on language skills. The plan is to train June graduates this summer in time to send them abroad late in the fall.

Service usually will last two to three years, with dropouts permitted and in some cases forced, if personal adjustment is poor. (The hope is to curtail this drastically by careful advance screening.) Draft deferment will go along with service in the corps, at least for most members.

How big is this program going to get? So far, it's limited—some 1,000 members will be serving abroad by next fall. But there may be 5,000 to 10,000 included in the program after that.

Many colleges—quick to lend support—already have assumed that the program will become pretty much campus-oriented.

In the East, both Harvard and Princeton report "great interest" among students and faculty, with expected active cooperation on the part of the universities. The same goes for Columbia, which thinks that many schools in the U. S. may eventually grant academic credit for Peace Corps participation. (One small university in New Jersey, Fairleigh Dickinson, has already announced such a plan.) Williams, among the smaller schools, plans active participation.

Women's colleges also are showing keen interest. Sarah Lawrence and Vassar, for example, expect to send full quotas overseas. These schools may be even more active than some men's colleges.

Midwestern and Southern response is only slightly less enthusiastic. On the West Coast, Stanford, Pomona, and the University of Southern California all indicate widespread interest and expected participation.

—●—

Don't scorn safety belts when buying equipment for your car. They do make a big difference in cutting down injuries and fatalities in accidents. And fasteners for securing the seat belts will be standard on 1962 models.

# PERSONAL BUSINESS (Continued)

BUSINESS WEEK

MAR. 11, 1961

If auto passengers used safety belts, the fatality rate would drop at least 20%, and injuries 50%, according to the National Safety Council. Some 90% of people tossed from cars in collisions are injured fatally.

You may worry that a seat belt might trap you in an accident involving fire or water. But less than 1% of accidents are of this type. Beyond that, seat belt protection improves your chances of remaining conscious and extricating yourself from the car, safety experts point out.

Web belts, with quick-release metal ends, to fit 1962 model cars will cost between \$9 and \$12 a pair. If you want to equip your car before the spring and summer driving season, you can buy complete bracket-belt units (\$20 to \$24 a pair, plus installation cost).

**Flight news:** Special 90-day excursion jet fares between U.S. and principal South American cities are being offered by major airlines, year-around. Round trip between New York and Buenos Aires, for example, costs just \$550, about 40% less than regular fares. Aerolineas Argentinas, incidentally, now runs four jet flights weekly between the Argentine capital and Bariloche, the skiing, fishing, and hunting resort.

In the Caribbean, British West Indian Airways' 30-day island-hoppers are now on an all-year basis. Flights take you from New York to 13 Caribbean islands and back (\$248). Also, Caribbean Atlantic Airlines has 16 daily round trips from San Juan, P. R., to St. Thomas in the Virgin Islands.

In the U. S., American Airlines' new 707-Astrojet flights (with new type jet-engines) cut flying time Los Angeles to New York from about five hours to four and one-half hours.

If you're in the market for yachting accessories, you might look into buying personalized china and crystal. A single five-piece place setting in English bone china, with flags and your craft's name as decoration, runs \$19 to \$24. Crystal glasses (highball, old-fashioned, cocktail) emblazoned with burgees and Lloyd's registration number are about \$66 a dozen. For partying aboard, there's a giant styro-foam bucket of nautical design with room for 75 lb. of ice and two cases of beer (\$35). Write to Yachting Dept., Plummer, Ltd., 734 Fifth Ave., New York 19.

If you're the kind of golfer who has little time, you might glean some points from Sam Snead on Golf (Prentice-Hall, Inc., Mar. 28, \$3.95). Snead says this about picking clubs: "If you play only once or twice a week, eliminate the number one driver, the number two wood, and the two and three irons. In their place, get a 1½ wood and a five wood, a trade which will pay great dividends."

Some other pointers:

- If you're a weekend golfer, don't try to hit the "pro" shot that aims at the pin. Stick with your own safe, shorter shot.
- On putts over 20 ft., just lag the ball up close to the cup for a sure, two-putt effort. "On the long putts I don't try to hole out."
- Fifteen minutes to a half hour on the practice tee and putting green will do wonders to your score, especially if you've laid off a few days.
- Weekend golfers' greatest mistake: failing to follow through for extra power. Swing through so that your head comes up naturally.

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## IT'S THERE IN HOURS...AND COSTS YOU LESS!



# What It Is That Makes Har

**J**ohn Fitzgerald Kennedy may have already given his Administration one lasting stamp and left an enduring mark on the federal government—by giving the professor a new place in Washington. That new place reflects a new role in society for the country's great universities. It's a role that suggests that the world has passed some milestones:

- This is the world of the expert—and few organizations can supply experts in the numbers that a major university can.

- Government and the universities are wedded today. Neither could do its work without the other.

- The universities themselves are changing rapidly. Perhaps no institution in the country—except the federal government—is so deeply affected by the social and technological changes sweeping the world. And few can match it as an instrument for creating change.

- Basically, the world is dealing with an explosion of knowledge alongside an explosion of population.

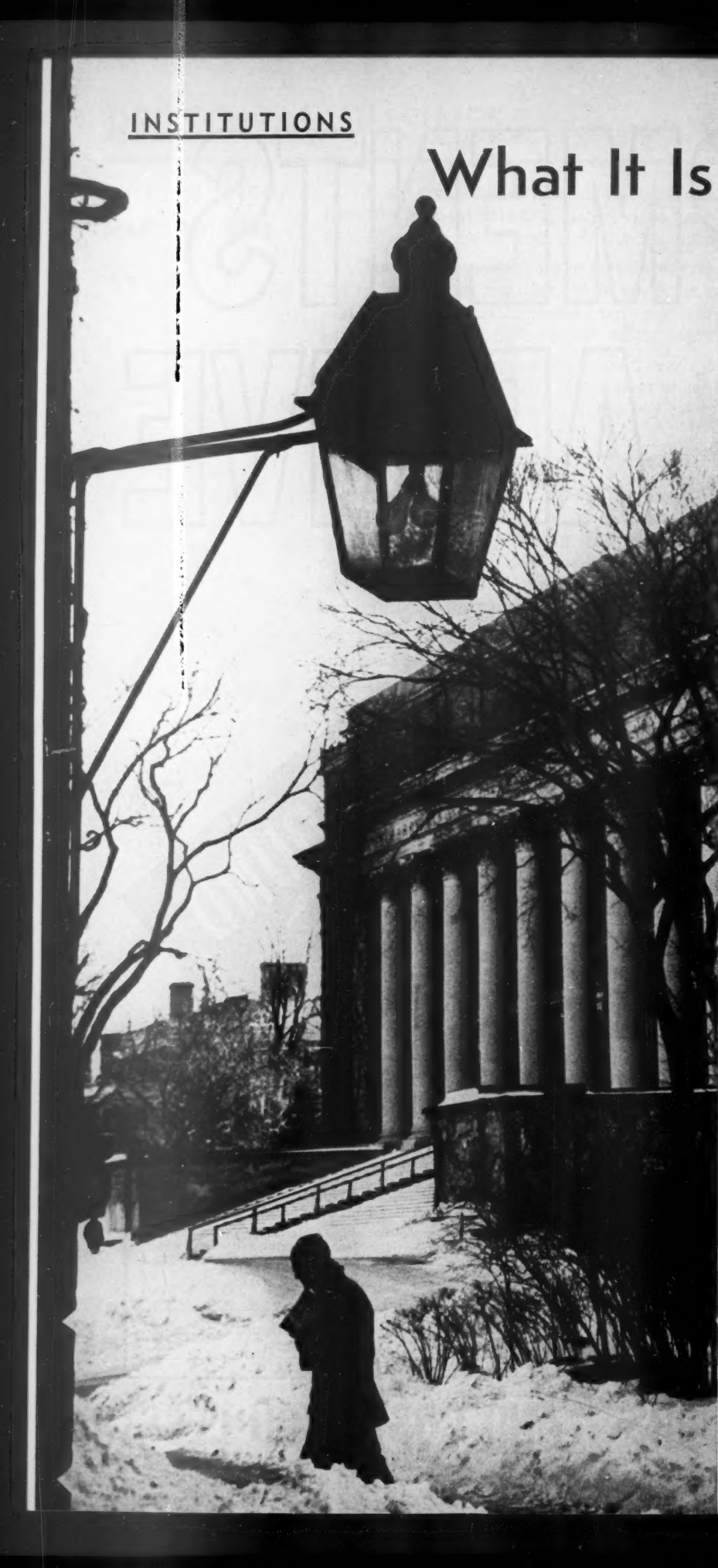
- **Colossus**—Among universities, Harvard is still a colossus. Kennedy did not tap it for so many men simply because he is Harvard 1940. Wherever he had gone to school, he would as President almost certainly have found himself turning to Harvard for talent and help.

Harvard is not the biggest American university. It is not the "best" in all fields. But it is a leader. It sets the style. It has so many scholars of distinction in so many different fields that it is, like it or not, a national resource.

Harvard is organized in a way that defeats planners. No one would attempt to draw an organization chart for the university. It is often described by insiders as a set of autonomous institutions—"Harvard is a group of schools connected only by a name and a set of steampipes."

- **Cambridge's "President"**—But Harvard is actually very closely geared to the leadership of one man. Even this year, the old joke still holds. When one speaks of "the President" in Cambridge, he means the president of Harvard, Nathan Marsh Pusey, and not the man in the White House. As president,

**RESEARCH** facilities like the famed Widener Library have helped Harvard stay in the forefront of the search for knowledge and new ideas.



# Harvard Important Now

The arrival of a contingent of professors in Washington heralds a new role in society for the nation's great universities—and among them Harvard is an undisputed leader.

Pusey has a set of unique devices that let him reach through the autonomous sprawl of schools to the very heart of the process by which Harvard builds for the future.

Harvard is an old institution that takes pride in generating new ideas. The great traditions of all great universities—a striving for excellence, a fierce independence in the search for truth, a belief in the individual and his potentialities—these show organizationally in Harvard's unending search for the best men it can get. And the university has come to depend on this spirit—for if it could not continue to draw hundreds and thousands of high-caliber men to it, it would soon strangle.

## I. The World of the Expert

Harvard was founded in 1636 as a training school for experts—ministers to replace the Oxford- and Cambridge-educated men who had come over with the colonists.

Today the world demands a whole new order of expertise, and increasingly universities have come to be regarded as collections of experts in a world that lives on expertise.

Paul H. Buck, director of the Harvard libraries, puts it this way: "A generation ago we looked to public groups, pressure groups, to take the lead in reforming social organizations. Today, though, it is the expert—like the penologists who are rapidly reforming our prisons. This is a world of experts—and Harvard is in the business of supplying them."

• **Challenge of the Times**—Harvard helps shape the world, but it is also shaped by it. Pres. Pusey sees Harvard as responding to three great forces at work in the world.

First is the need for a level of education higher than anything demanded before. Harvard, for example, is spawning a cluster of "centers" where men who have graduated and who hold advanced degrees can come back to the university for a period of study, a time for catching up on the latest advances in their fields.

The second great demand made on universities is for the direct services of experts. Harvard has always believed in a balance of teaching and research. But today most professors have to find time for a third activity—consulting. This demand alone is enough to change

the old idea of the university as a cloistered community of scholars to that of a body of experts to commute to other U.S. cities and, indeed, to the far reaches of the world.

For the third great demand on the universities is international. "The jet plane," says a Harvard Law School professor, "is shrinking the world—and forcing us to learn whole new bodies of law." Two-thirds of the books and periodicals bought by the Harvard libraries are in foreign languages.

• **Ivory Towers**—There are still ivory towers. In Agassiz Hall, men chip the bones of a brontosaurus out of rock with dental tools. With similar scholarly concentration, Prof. Don Fawcett and a group of carefully trained associates are using electron microscopes to open the secrets of the cell. Though this is basic research without immediate applications, through the school runs a feeling that this study will bring fundamental reappraisals of the work of medical men.

In a Center for International Affairs, Harvard professors are studying and publishing books on the problems of arms control and of the North Atlantic Treaty Organization—and commuting to Washington. In the Graduate School of Education, Dean Francis Keppel is assembling psychologists, economists, and sociologists in the hope that they will find basic keys to the process by which men learn—looking for ways to meet the demands being made on education in this country and the still greater demands from the countries trying to bring their people to literacy and beyond.

These activities, and uncounted others going on around Cambridge, put Harvard on the frontiers of science and of society. The joke runs—"If Harvard didn't exist, the Ford Foundation would have to invent it." The common demands made on the universities and government are so great that the two are inevitably teamed. Today about one-quarter of Harvard's consolidated budget of \$73-million comes from federal funds—much of it for research or special training programs.

## II. Rich in People

Harvard is unique in its wealth (an endowment of \$621-million, a plant carried on the books at zero but added to at the rate of \$12-million in con-

struction each year) and in the richness of its resources. "I came here," says a research professor, "because I can find 20 other bio-chemists here." It is proud of its tradition of leadership and independence. It has turned out six Presidents of the U.S., the winners of seven Nobel prizes, a battery of Pulitzer Prize winners, and men who have won distinction in so many fields that only Who's Who can classify them.

Other universities are catching up in many ways. Harvard's financial resources don't make the difference they once did. "Illinois, and many other schools, can pay a man as much as we can now. They use federal money to match the advantage that endowment funds used to give us," says a Harvard chemist.

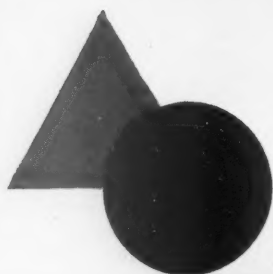
• **Ability to Innovate**—Perhaps the real test of any organization, though, is in its ability to innovate. And here Harvard is powerful—and something of a paradox. "This place looks like chaos," says one young administrator. "We've got overlaps and duplications everywhere you look. We've got so many organizations, and such different organizations, under this tent that there's almost nothing you can say that will hold true through all of Harvard."

But Harvard does innovate prodigiously. This is due more than anything else to a special form of organization that is perhaps unique, which might not work so well anywhere else, and which works only on the basis of subtleties developed over the centuries.

• **Upgrading Students**—What is happening to the student body itself is a major key to understanding Harvard. Almost 100 years ago, Pres. Charles W. Eliot saw that the drive of advanced students in the great graduate schools he was determined to build up would raise the intellectual level of the faculty. Now Harvard is engaged in another experiment that may have almost as profound results. In the last eight years, it has raised dramatically the intellectual level of undergraduate classes entering the College. It beats the bushes across the nation for men—and then screens out most of them.

The result: Harvard thinks its entering classes now rate higher than those of any other large, general college, though some smaller colleges may do better.

Much more important, as Dean John U. Munro of the College puts it,



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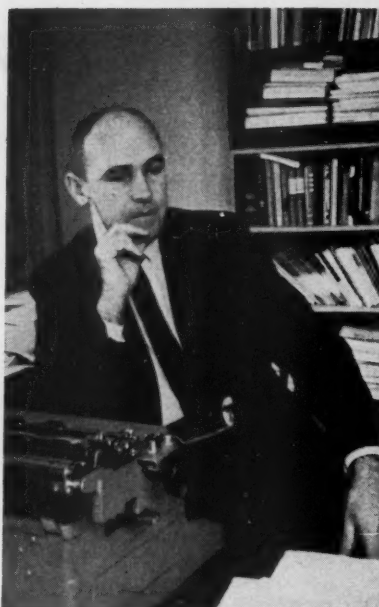
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**EDUCATOR** Wade M. Robinson helps direct research program probing such areas as team-teaching, school reorganization.

"We've eliminated the bottom half of the class." The "tigers" who survive are forcing the College to revise its approach. It takes more and more students on "advanced standing," skipping freshman courses. It has introduced freshman seminars to restore some of the intimacy between students and faculty that was being lost as the College grew. Harvard is eliminating many of the distinctions between honors students and the rest of the class—in effect putting everyone on honors programs.

### III. Built-In Competition

For its more than 13,000 students, the university has 4,600 "teaching officers." They work in classrooms that still have a "gas-lit" atmosphere, in lecture rooms that would do justice to Hollywood, in the machine shops of the still-building \$11-million Cambridge Electron Accelerator, in Bernard Berenson's Italian villa, in fossil diggings in the Texas mud, in studies hidden in the stacks of Widener Library, and in hospitals, schools, and Nigerian government offices.

Perhaps the most striking thread running in common among them is the feeling that "this is a very competitive place." In part, this is because only a fraction of the faculty has tenure. Those in that fraction enjoy a permanent appointment, which brings reasonable freedom from financial worries (the average professor is paid \$16,000 a year) and guarantees academic freedom ("They can't push you around, even if you have unpopular opinions.").



**CRITIC** I. A. Richards, language teaching pioneer, has developed films used on New York TV to teach English to Puerto Ricans.

But for each man with tenure, there are perhaps five younger men—lecturers, research assistants, instructors—who are working toward it. Inevitably, most won't make it and will have to leave. "Almost no one leaves Harvard voluntarily," says one of the younger men. "You come here because you feel it is the best and if you can't stay—well, that puts scars on a man." The pressure to be outstanding is tremendous.

• **Unique Structure**—Knitting all these people together, student and faculty, is the peculiar Harvard organization.

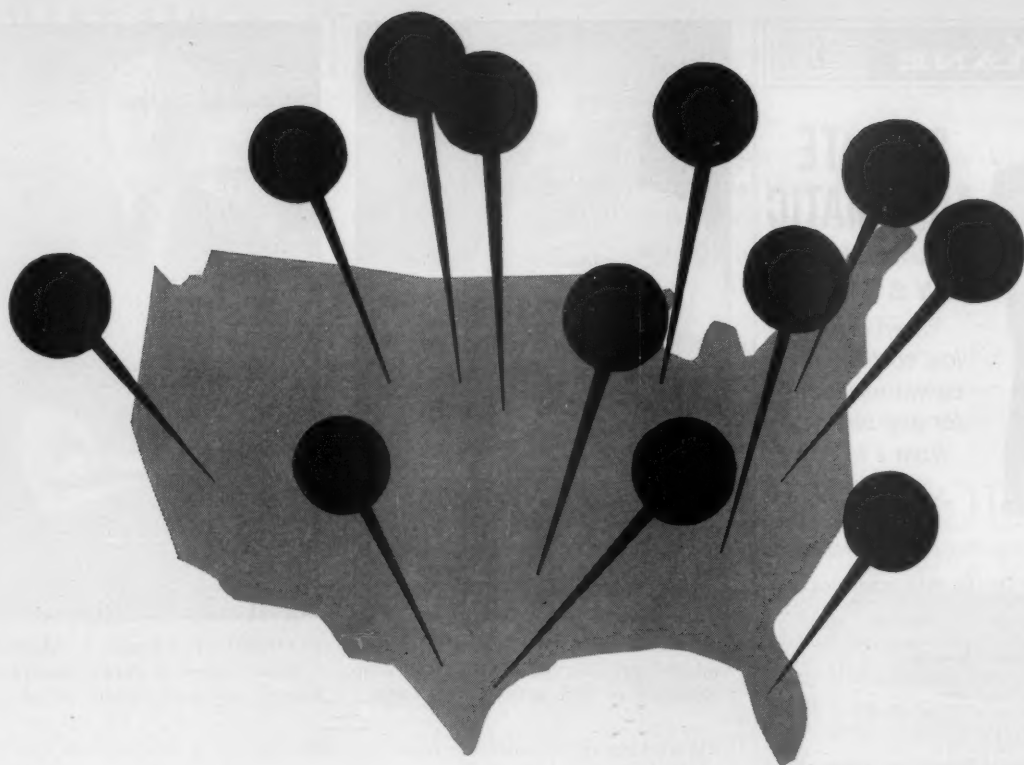
The teaching officers are organized into nine faculties for the 10 graduate schools and the College. The Graduate School of Arts and Sciences and the College share a common faculty. So do the Medical School and the School of Dental Medicine. Radcliffe has no faculty; its students attend Harvard classes.

At the top, having ultimate responsibility for all university affairs, is the Corporation—a self-perpetuating board made up of the president, the treasurer, and five "fellows." Most of the fellows are and have been Boston lawyers and businessmen.

Then comes the Board of Overseers—30 men who are elected by the alumni but are not necessarily Harvard graduates (Pres. Kennedy is one member of this Board). The Board's chief power is the right of veto, even over the Corporation. But it also provides 43 visiting committees, each chaired by a member of the Board, which are more or less constantly surveying all parts of the university.

The university's central staff—the





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**CURATOR Raymond A. Paynter, Jr.**, Harvard bird specialist, has advised CAB in investigations of bird intake by jet engines.

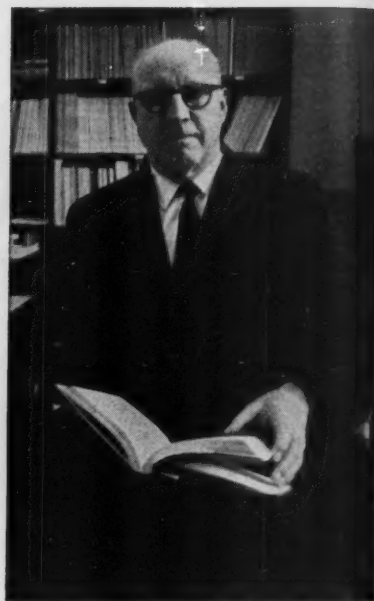
men working right under the president and concerned only with the work of the university, as opposed to the staffs of the College or individual graduate schools—is made up of only about 10 men.

• **Autonomy**—This structure is possible only because of an old Harvard tradition—"every tub stands on its own bottom." Each school and each activity is autonomous and has its own budget. Some 37 different activities—ranging from the Faculty of Arts and Sciences through the Arnold Arboretum and six museums to the Medical School powerhouse—are each budgeted separately. The Dean of the Faculty of Arts and Sciences, for example, administers endowment funds of \$157-million and an annual operating budget of \$28-million.

Moreover, each one runs on a balanced budget. If a dean runs a deficit, the university lends him money to cover it and charges him 5.2% interest on the loan. If he runs a surplus, the university pays him interest.

• **Checks and Balances**—Here a subtle system of checks and balances is at work. Harvard deans are powerful men running huge educational institutions on their own. They control their own funds, but they have to raise them, too. Harvard's big drive of the 1950s, for example, was for endowment funds for the Faculty of Arts and Sciences, and not for other activities.

Against the power of the deans, the president has his own endowment funds—\$52-million. Funds of this sort, given to the university with no restrictions, can make all the difference in



**ECONOMIST Edward S. Mason** heads Graduate School of Public Administration's Pakistan and Iran advisory groups.

starting up a new activity or supporting an old one. In the end, too, if a dean should consistently overrun his budget, the university could use endowment funds to make good the deficit.

The income from these endowment funds once gave Harvard a great edge over other schools. It has become less important as costs rose and other funds, principally federal, grew. But it still underpins Harvard's independence.

## IV. The Power of Appointment

The real key to running a university is in making appointments—and here Harvard's president has some unique and subtle devices.

Eliot, in his 1869 inauguration address, said: "To see every day the evil fruit of a bad appointment must be the cruellest of official torments."

• **Two Devices**—Harvard, which makes many appointments a man will hold until he retires, relies on two devices, both installed by James B. Conant in the 1930s, to save it that torment:

**The up-or-out system.** This by no means unique system works like this: An instructor in the Faculty of Arts and Sciences, for example, has a one-year appointment, which can be renewed once. If he doesn't make assistant professor then, he leaves. Similarly, an assistant professor has a non-renewable five-year term at the end of which he must move up or leave. Conant waged a classic battle for this system, but once installed it cleared the channels of deadwood.

**The "ad hoc" committee.** This device is used in its purest form in the Faculty

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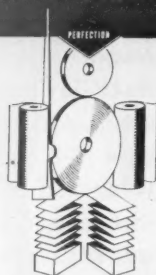
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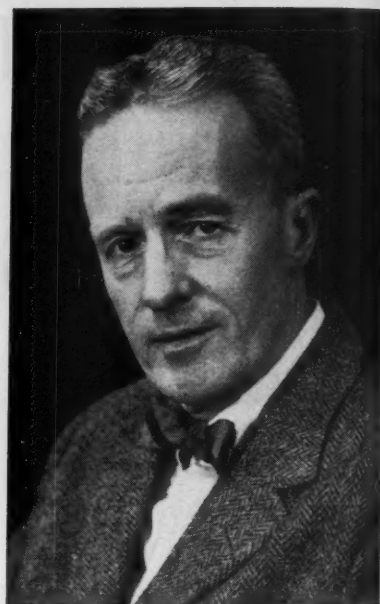
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**DON W. FAWCETT**, Hersey Professor of Anatomy, advises Public Health Service group examining requests for training grants.



**JOHN C. SNYDER**, Dean of the Faculty of Public Health, directs Harvard-Aramco research program on prevention of trachoma.

of Arts and Sciences. The Law and Medical schools use modifications. The Business School has its own system.

An "ad hoc" committee is formed for one job—to make a permanent appointment. It is chaired by the president. It will have two members from outside the University—top men in their field and men who would not be candidates for the job that is open. The composers, Aaron Copland and Samuel Barber, for example, sat on a committee for the Dept. of Music.

The committee will also have two members from related departments, not the department with the vacancy. Members of the department itself will suggest a candidate, and will appear as witnesses to support their man, but they can't sit on the committee.

• **The Top Man**—But here subtleties go to work. The committee sits not on the question of whether the man the department recommends is adequate. Its question is who is the best available candidate—the top man, wherever he may come from. The outside experts, for example, may suggest candidates of their own. The decision is made by the president—and not by consensus. He may decide that none of the candidates is good enough.

But this is only one way in which the president uses the committee. During the committee's deliberation, he will get a measure of whether the department is meeting Harvard standards in teaching and in research.

Even more basically, this device allows the president of Harvard, the man at the top of the seemingly chaotic sprawl of schools, to reach down into

the heart of the university's operations.

It is the curious check-and-balance between autonomous units run by strong, highly respected men and the central power of the president that keeps Harvard what it is.

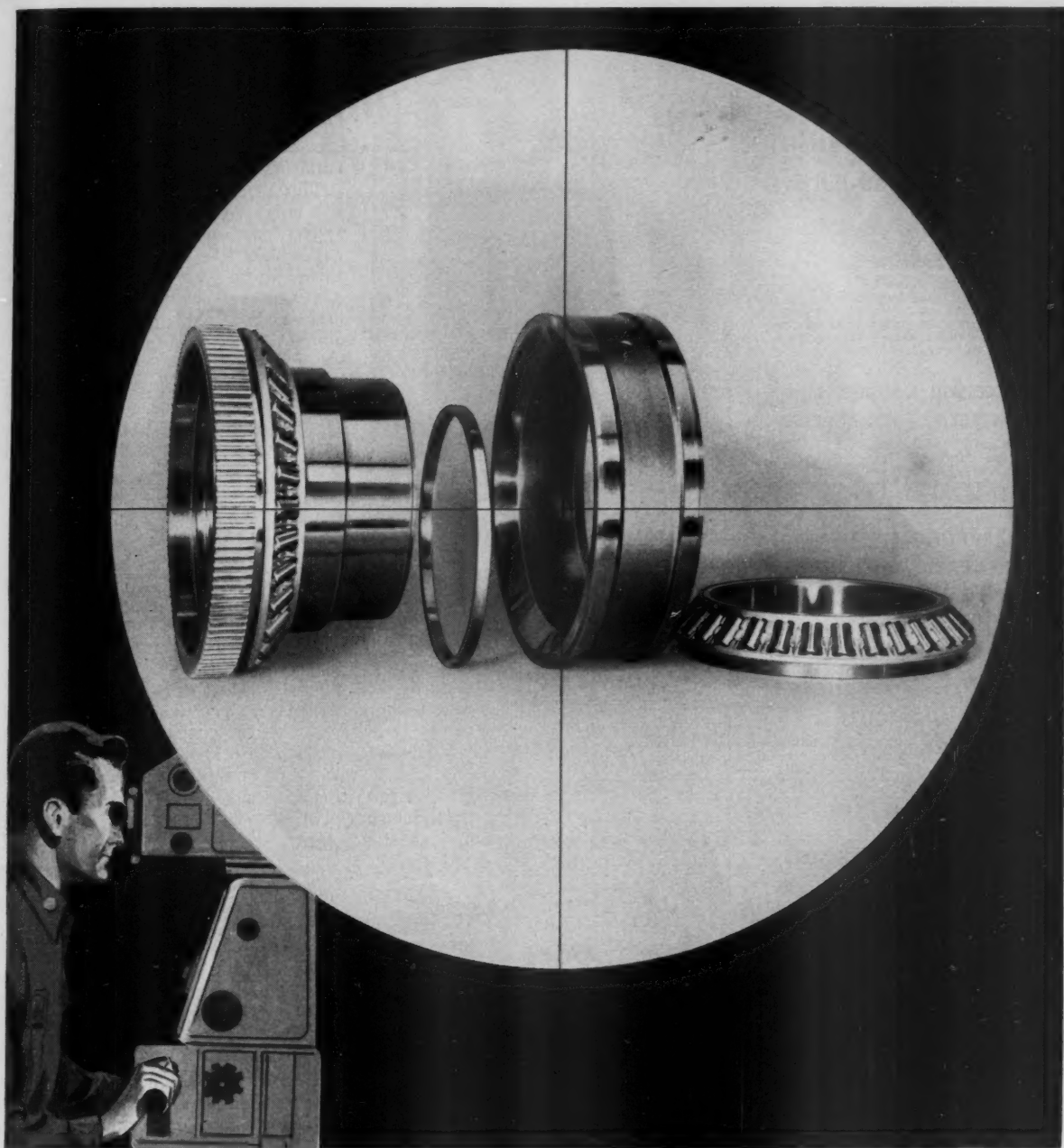
• **Other Powers**—The president, of course, can go beyond this. He can close a department or open a new one in an expanding field. Harvard, not too long ago, lost a Dept. of Geography and gained a Dept. of Statistics in this way. The president can also demote his deans. Conant, in the late 1930s, closed the School of Dental Medicine for a year because he felt it was too close to a trade school and not doing enough to advance knowledge.

There are other subtleties, too. Harvard's great growth came after the Civil War and under three strong presidents. Observers point to a curious alternation among them. Eliot was the university builder—he built up the powerful graduate schools. A. Lawrence Lowell turned his attention largely to the College, raising standards and building the famed houses that give undergraduates much the atmosphere of a small college.

Conant, in his turn, put his effort largely into the university. Pusey, when he took over in 1953, focused again on the College. He started the drive to raise \$82.5-million for the College and saw the fund grow, with accumulated interest, to \$88-million.

## V. Living Organism

Harvard is such an endless sprawl of buildings and organizations that it baffles most outsiders—and quite a few



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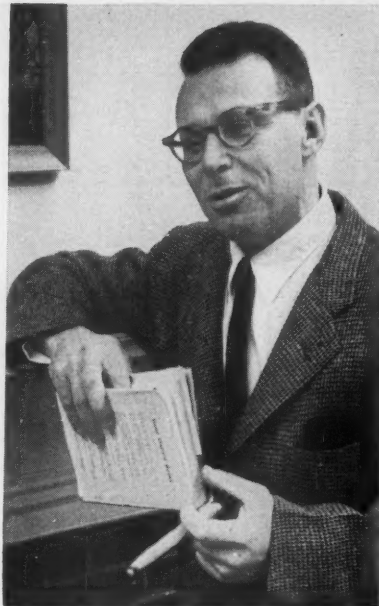
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RAYMOND VERNON, Harvard international trade expert, is conducting three-year study on Mexican economy.

of the younger people on the faculty. Perhaps it is best summed up in the words of one newcomer to Harvard:

"Many universities and many businesses," he says, "are organized like machines. They are big, powerful, concrete, and centrally directed. They can change direction abruptly when change is called for. But they simply sit still unless there's a strong hand on the wheel.

"Harvard, though, is a living organism. When any part of it is irritated—as a grain of sand irritates an oyster—it will grow and absorb the thing that irritates it. And the organism as a whole will reflect this change."

• **Sprouting Centers**—This process is shown in a whole range of "centers" growing up around Harvard. Since World War II Harvard has set up centers for Russian Research, Middle Eastern Studies, Far Eastern Studies, International Affairs, for the Study of History and for the Study of Liberty. It has a center for Urban Studies, and the Cambridge Electron Accelerator, both joint projects with MIT.

Radcliffe is launching an Institute (called that just because Harvard has pre-empted the term "centers") for Independent Study. Women scholars who have taken time out to raise a family will come back to this institute for a year of independent work. Soon Harvard will have a center for the Visual Arts in a building designed by Le Corbusier.

• **How They Work**—A typical center brings together men from different departments—say, economists, historians, and psychologists—to tackle a common

problem, such as Russia's cold war strategy. The center brings back experts in, say, international affairs for a year of university work. They will come from the U.S.—from the State Dept., for example—and from the foreign offices of European or Asian governments.

This sort of innovation is peculiar to a large and loose institution. When Harvard comes across a good man, it enlists him—somewhere in its sprawl there will be a slot for him. When it comes across an idea—it gives it money and support. These centers are set up almost casually. As one administrator says, "We get some good people together, paint them into a corner, and let them find their own way out." But Harvard can fit them into its sprawl with relative ease—whereas a small school would be turned upside down by one such project.

## VI. Looking Ahead

Growth and change, no matter how positive, usually involve some loss. Harvard has become a national institution—but it is less and less a New England institution. One professor points out that university people now overlook the "economic plight of Maine and the meager lives of the people of northern New Hampshire." Similarly, the ad hoc committee has the drawback of creating intense competition among the younger men. In effect, it eliminates perhaps four out of five. And, as one psychologist associated with the university says, "I can look at the situation of those people only with a bit of horror."

• **Forefront**—But the engine of change in the world is working—and Harvard is in the forefront of the U.S. effort to meet it. Each of the appointments of Harvard men in Washington is testimony to that.

Harvard is determined to stay there—by setting a style.

In the School of Dental Medicine, Dean Roy Greep looks at the figures on dental needs—and knows that neither Harvard nor all the other dental schools can produce enough dentists to plug the cavities. "But," he says, "we may be able to do the research, or to produce the man who can do the research, that will eliminate caries as yellow fever was eliminated."

And Dean Keppel of the Graduate School of Education says: "We can't play the numbers game." Harvard can't meet the needs for quantities of teachers to raise educational standards in this country. But it may be able to make a contribution by research, by using new approaches like the teaching machine, by studying the basic processes by which people learn. "We can," he says, "set the style." **END**

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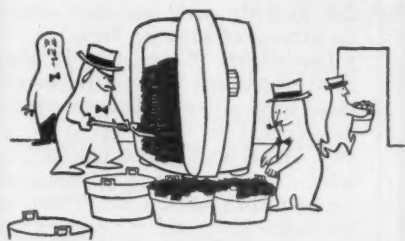
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## MANAGEMENT

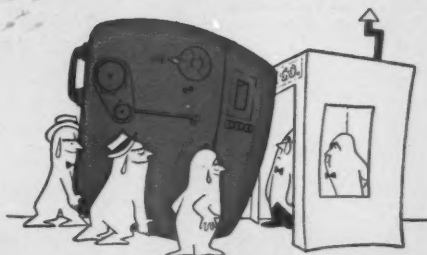
### Managers Gripe About Consultants



*They charge too much.*



*They lack business experience.*



*Their ideas aren't practical.*

## Mixed Feelings on Both Sides

Giving advice to management about management is now a half-billion-dollar-a-year business. The men who do it have succeeded in selling their time and brainpower to most of the nation's bigger companies and a sizable minority of the small ones.

Yet, as the cartoons above suggest, telling other people how to run their business can be a thankless task. Plenty of diehard executives still think much management consulting is a fraud, and even the more or less steady customers aren't always sure they're getting their money's worth.

If so, the consultants retort, it's often the clients' own fault. For the experts, reluctant though they are to bite the hand that feeds them, have their own gripes about the way their employers treat them (cartoons below).

• **Opinion Roundup**—In the current issue of the American Management Assn.'s *Management Review*, Prof. Charles L. Quittmeyer of the Univer-

sity of Virginia's School of Commerce rounds up the heaviest brickbats on both sides. At AMA's behest, he recently queried a dozen leading management consultants and 142 good-sized companies to find out what they thought of each other.

About three-fifths of the companies Quittmeyer surveyed had recently called in consultants to help them solve such problems as how to pay their executives, improve their production scheduling, investigate a merger prospect, or automate their data-processing.

In some cases, the companies felt they had been had. One summed up a \$50,000 consulting job: "They came in knowing little about our problem, talked to the help, repeated their opinions, and closed knowing no more than when they came. A complete waste of money."

That wasn't typical. Nearly seven-eighths of the companies were at least fairly well satisfied with their con-

sultants' results. Even so, there were loud murmurs of discontent.

• **Price Gripe**—Pricing was the chief gripe. Specific job costs ranged from \$60 to \$156,000, but they hovered around \$10,000 at an average rate of about \$175 a day. Twice as many executives thought they had paid just about the right amount as thought they had been overcharged. But on the whole, most of them felt, expert advice comes too high. Small companies, at least, would rather pay something like \$100 a day, according to a consultant who surveyed them last year.

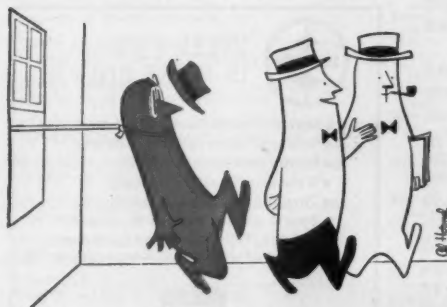
That's just about the average take of a college professor on a consulting assignment, Quittmeyer learned after a survey of 62 campuses. If companies really are resentful about fees, he wonders, why aren't university faculties tapped more often? Nearly all the jobs reported in Quittmeyer's new study were done by consulting firms.

There were other criticisms. Many

### Consultants Gripe About Managers



*They wait too long before calling for help.*



*They hire away the consultant's staff.*

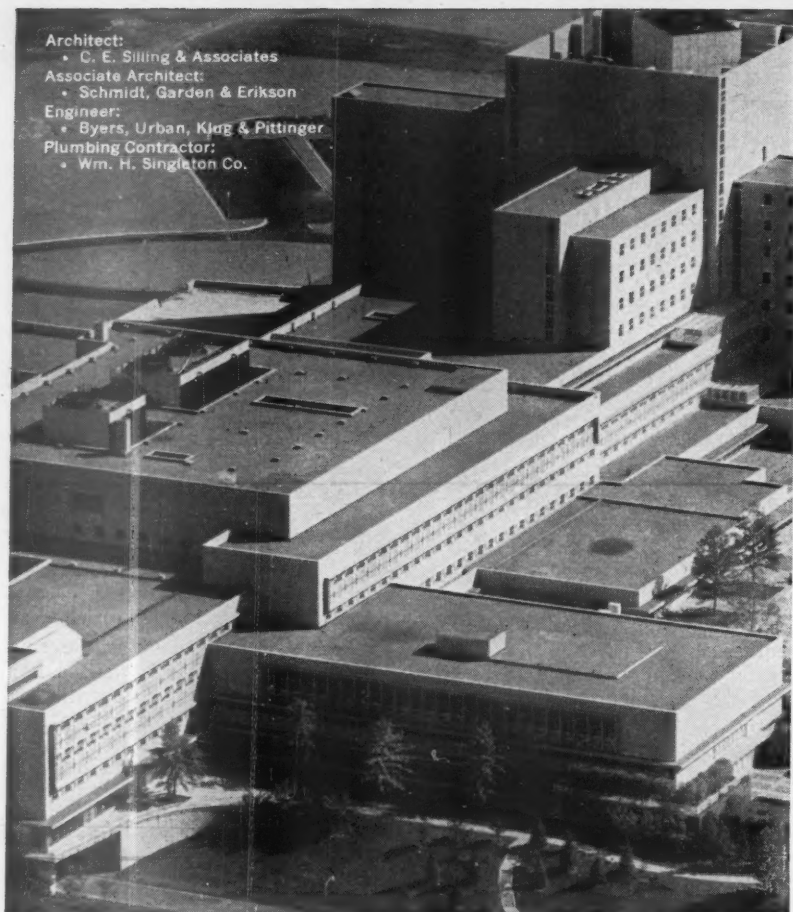


*They really want reassurance, not objective analysis.*

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companies said consultants didn't have enough business experience or were too young. Several found their advisers' approach too blue sky. One executive complained: "The resulting recommendations were theoretical, impractical, and we could not have afforded the expense of adopting them."

• **Consultants' Complaints**—It wasn't all sweetness and light on the consultants' side, either. Many companies, they argued, let problems go so long they are almost impossible to solve. Some executives really want hand holding from their advisers rather than serious help. Once the recommendations are in, consultants have trouble getting clients to apply them; often the advice is misused and the consultants get blamed for the resulting failure. Furthermore, some of the consultants maintained, they aren't paid nearly enough, considering the money they save or make for the client.

Most of the consultants' own problems, however, were internal or competitive rather than connected with their clients. In fact, some of their comments echoed those of the companies.

• **Recruiting Problem**—The biggest headache for the consultants is how to recruit, train, and keep qualified personnel. Uneven work loads make it hard to stabilize staffs, they pointed out. Good men, hard enough to find, are even harder to hold on to because of erratic working hours and a heavy burden of travel. Clients who continually pirate them away are no help.

Consultants objected to competition from universities and other non-profit organizations, from manufacturers offering free services to suppliers and customers, and from companies' internal staff consultants. They were even more concerned about the black eye that unqualified, unethical (and cut-rate) consulting firms give them.

The clients agreed that standards need raising. Nearly all the companies had the idea that at least a small minority of consultants are complete fakes, and about a fourth of them felt that way about a substantial number.

Beyond that, the non-users of consulting services were much more critical of them than users. Asked whether they would hire the same consultant if they had it to do all over again, nearly 90% of the executives said yes. That vote of confidence is reinforced by the consulting industry's undoubted success in the marketplace. The Assn. of Consulting Management Engineers estimates that there are between 30,000 and 40,000 management consultants, working individually or in the some 1,700 firms. As author C. Northcote Parkinson puts it, "There must be a great demand for efficiency experts since they are in such large supply." **END**



## Index of Advertisers in the March 11, 1961 Issue

ALLEN-BRADLEY CO. .... 33  
Agency—The Fensholt Adv. Agency, Inc.

ALLIS-CHALMERS ..... 67  
Agency—Klau-Van Pietersom-Dunlap, Inc.

ALLISON DIV., GENERAL MOTORS CORP. .... 118  
Agency—Kudner Agency, Inc.

AMCHEM PRODUCTS, INC. .... 53  
Agency—Al Paul Lefton Co., Inc.

AMERICAN AIRLINES, INC. .... 6  
Agency—Young & Rubicam, Inc.

AMERICAN APPRAISAL CO. .... 68  
Agency—The Cramer-Krasselt Co.

AMERICAN CANCER SOCIETY ..... 118

AMERICAN TELEPHONE & TELEGRAPH  
YELLOW PAGES ..... 7  
Agency—Cunningham & Walsh Inc.

AMERICAN VISCOSER CORP. .... 62-63  
Agency—Arnold, Preston, Chapin, Lamb & Keen,  
Inc.

ARMCO STEEL CORP. .... 122-123  
Agency—Marsteller, Rickard, Gebhardt & Reed,  
Inc.

ATLAS STEELS LTD. .... 130  
Agency—E. W. Reynolds Ltd.

AUTOMATIC TRANSPORTATION CO. .... 50  
Agency—Aubrey, Finlay, Marley & Hodgson, Inc.

BALTIMORE GAS & ELECTRIC CO. .... 38  
Agency—VanSant, Dugdale & Co., Inc.

THE BANK OF NEW YORK ..... 43  
Agency—Doremus & Co.

BEMIS BRO. BAG CO. .... 74  
Agency—Gardner Adv. Co.

BORG-WARNER CORP. .... 69  
Agency—Clinton E. Frank, Inc.

BROWN & BIGELOW ..... 120

CHARLES BRUNING CO., INC. .... 17  
Agency—Wade Adv., Inc.

BURROUGHS CORP. .... 4th Cover  
Agency—Campbell-Ewald Co.

CLARK EQUIPMENT CO. .... 84-85  
Agency—Marsteller, Rickard, Gebhardt & Reed,  
Inc.

COLUMBIA-SOUTHERN CHEMICAL CORP. .... 31  
Agency—Ketchum, MacLeod & Grove, Inc.

COMMITTEE OF STEEL PIPE PRODUCERS ..... 142  
Agency—Smith, Taylor & Jenkins, Inc.

DETROIT ALUMINUM & BRASS CORP. .... 58  
Agency—The Altink-Kynett Co., Inc.

THE DOBECKMUN CO. .... 102  
Agency—Chirgus & Cairns, Inc.

DOVER CORP., ROTARY LIFT DIV. .... 113  
Agency—Greenhaw & Bush, Inc.

DUKANE CORP. .... 132  
Agency—Connor Assoc., Inc.

DUNHAM-BUSH, INC. .... 40  
Agency—William Schaller Co., Inc.

E. I. DUPONT DE NEMOURS & CO. .... 4  
Agency—Batten, Barton, Durstine & Osborn, Inc.

EASTMAN KODAK CO. .... 90  
Agency—J. Walter Thompson Co.

ELECTRONIC SECRETARY INDUSTRIES,  
INC. .... 110  
Agency—Kudner Agency, Inc.

EBERHARD FABER PEN & PENCIL ..... 69  
Agency—Al Paul Lefton Co.

THE FAFFIN BEARING CO. .... 67  
Agency—Noyes & Co.

FAULTLESS CASTER CORP. .... 66  
Agency—Perrin-Paul Co.

FIRST CITY NATIONAL BANK OF  
HOUSTON ..... 24  
Agency—McCann-Erickson Adv. (U.S.A.)

FIRST NATIONAL CITY BANK OF  
NEW YORK ..... 8-9  
Agency—Batten, Barton, Durstine & Osborn, Inc.

GENERAL AMERICAN TRANSPORTATION  
CORP. .... 140  
Agency—Edward H. Weiss & Co.

GENERAL ELECTRIC CO. (LAMP DEPT.) .... 114  
Agency—Batten, Barton, Durstine & Osborn, Inc.

GENERAL MOTORS CORP. (CHEVROLET  
MOTOR DIV.) .... 109-101  
Agency—Campbell-Ewald Co.

GENERAL TIME CORP., STROMBERG DIV. .... 80  
Agency—Wade, Walden & Whitman, Inc.

THE GENERAL TIRE & RUBBER CO.—  
CHEMICAL DIV. .... 112  
Agency—D'Arcy Adv. Co.

H. F. GOODRICH CO. .... 22-23  
Agency—The Griswold-Eshleman Co.

GOODYEAR TIRE & RUBBER CO. .... 72-73  
Agency—Kudner Agency, Inc.

GOVERNMENT OF NORTHERN IRELAND. .... 38  
Agency—Oliver Bookman, Inc.

W. R. GRACE & CO., POLYMER CHEMICAL  
DIV. .... 49  
Agency—de Garmo Inc.

THE GREYHOUND CORP. .... 127  
Agency—Grey Adv. Agency, Inc.

GULF OIL CORP. .... 86  
Agency—Ketchum, MacLeod & Grove, Inc.

HALOID XEROX INC. .... 83  
Agency—Hutchins Adv. Co., Inc.

HERTZ CORP.—TRUCK LEASING & TRUCK  
RENTAL ..... 106-107  
Agency—Needham, Louis & Brorby, Inc.

INDUSTRIAL CREDIT CO. .... 132  
Agency—E. T. Holmgren, Inc.

INTERNATIONAL HARVESTER CO. .... 124  
Agency—Aubrey, Finlay, Marley & Hodgson, Inc.

KLING PHOTO CORP. .... 130  
Agency—Harbert Baker Adv., Inc.

LYON METAL PRODUCTS, INC. .... 81  
Agency—Belnick, Meyer & Finn, Inc.

P. R. MALLORY & CO., INC. .... 105  
Agency—The Altink-Kynett Co., Inc.

McGRAW-HILL BOOK CO., INC. .... 138

MINNEAPOLIS-HONEYWELL REGULATOR  
CO. .... 96  
Agency—Foote, Cone & Belding

MINNEAPOLIS HONEYWELL REGULATOR  
CO., ELECTRONIC DATA PROCESSING  
DIV. .... 138  
Agency—Batten, Barton, Durstine & Osborn, Inc.

MINNESOTA MINING & MFG. CO. .... 78-79  
Agency—Klau, Van Pietersom, Dunlap, Inc.

MORSE CHAIN CO., DIV. OF BORG-  
WARNER ..... 16  
Agency—Ross Roy-B.S.F.&D., Inc.

MORTON SALT CO. .... 71  
Agency—Needham, Louis & Brorby, Inc.

MUTUAL BENEFIT LIFE INSURANCE CO. .... 60  
Agency—Donahue & Coe, Inc.

NICKEL PLATE ROAD ..... 118  
Agency—Fuller & Smith & Ross, Inc.

OWENS-ILLINOIS GLASS CO. .... 44-45  
Agency—J. Walter Thompson Co.

PAPER MANUFACTURERS CO. .... 134  
Agency—The Richard A. Foley Adv. Agency, Inc.

PITNEY-BOWES, INC. .... 37  
Agency—L. E. McGivern & Co., Inc.

PITTSBURGH CORNING CORP. .... 54-55  
Agency—Ketchum, MacLeod & Grove, Inc.

PLYMOUTH DIV. OF CHRYSLER CORP. .... 133  
Agency—N. W. Ayer & Son, Inc.

QUINCY COMPRESSOR CO. .... 118  
Agency—L. W. Ramsey

REPUBLIC STEEL CORP. .... 82-83  
Agency—Meldrum & Fowlesmith, Inc.

RICHFIELD OIL CORP. .... 121  
Agency—Hixson & Jorgensen, Inc.

ROYAL MCBEE CORP. .... 131  
Agency—C. J. LaRoche & Co., Inc.

RUST-OILEUM CORP. .... 82  
Agency—O'Grady-Anderson-Gray, Inc.

SEEBURG CORP. .... 119  
Agency—Keyes, Madden & Jones, Adv.

SKF INDUSTRIES, INC. .... 60-61  
Agency—G. M. Basford Co.

A. O. SMITH CORP. .... 12-13  
Agency—Klau-Van Pietersom-Dunlap, Inc.

SOUTHERN RAILWAYS SYSTEM ..... 10-11  
Agency—Cunningham & Walsh Inc.

STEELCASE, INC. .... 21  
Agency—Aves, Shaw & Ring, Inc.

STEEL SERVICE CENTER INSTITUTE ..... 137  
Agency—Fuller & Smith & Ross, Inc.

SWINGLINE INC. .... 81  
Agency—Al Paul Lefton Co.

THE TORRINGTON CO. .... 135  
Agency—Hazard Adv. Co., Inc.

THE TRANE CO. .... 14-15  
Agency—Campbell-Michum, Inc.

UNION CARBIDE PLASTICS CO. .... 18  
Agency—J. M. Mathes Inc.

THE UNION CENTRAL LIFE INSURANCE  
CO. .... 48  
Agency—Stockton, West, Burkhardt, Inc.

UNITED SHOE MACHINERY CORP. (POP  
RIVET DIV.) .... 46  
Agency—Hugh H. Graham & Assoc., Inc.

VIRGINIA ELECTRIC & POWER CO. .... 97  
Agency—Cargill, Wilson & Acres, Inc.

VITRO CORP. OF AMERICA ..... 69  
Agency—Sam J. Gailley Adv.

WEIRTON STEEL CO. .... 76  
Agency—Campbell-Ewald Co.

WEST VIRGINIA PULP & PAPER CO. .... 3rd Cover  
Agency—Fuller & Smith & Ross Inc.

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# What the Peace Corps Can Do

Pres. Kennedy's basic proposal for forming a Peace Corps to work in underdeveloped countries is both imaginative and constructive. It could even be argued that we should have tried this scheme long ago, before the Communists gained such a head-start in winning people—and, in some cases, important leaders—to their cause in many underdeveloped areas.

The idea behind Kennedy's proposal is sound. This country has a reservoir of young people trained in many fields and willing to work abroad; countries in Africa, Asia, and Latin America clearly could use these Americans to assist in economic and social development. Moreover, the Peace Corps—if competently administered—could become a potent propaganda weapon in convincing workers at the grassroots level in foreign countries that the U.S. is doing more than doling out dollars to their governments.

So far, Kennedy has couched his Peace Corps proposal in rather vague terms. Undoubtedly, he has done this to ease its passage through Congress. Yet there's no denying that the program's success will hinge on whether the Administration takes a hard-headed approach and displays common sense as well as idealism in carrying it out.

If it is to make good on its promises, the program should:

- Pick participants with great care. It should weed out the dreamy idealists, draft dodgers, and students hoping for a free ride abroad. It should favor young people of any background who have skills and know how to use them. A farm boy from Iowa with only a secondary education can be quite as useful as a Columbia Ph.D. in helping India or Bolivia solve food shortages.

- Train candidates thoroughly before sending them overseas. Peace Corps members should have some fluency in Spanish, French, or whatever local language is needed. They also should have a clear picture of the working conditions and "sensitive" situations they will encounter abroad.

- Focus on teaching other countries how to get the most out of their local pool of manpower. Neither Vietnam nor Nigeria, for instance, is short of workers. The real need is for advisers to help guide local personnel in improving education, health, and farming.

The Peace Corps, to a large extent, should be a public relations weapon—and recognized as such. It could help correct the distorted image of America that has built up in many parts of the world. This image has been fostered not so much by lazy, high-spending Americans abroad as by men filled with

good intentions who lacked the right methods and understanding to carry them out.

Kennedy's suggestion for using the Peace Corps at home, as well as overseas, seems a hastily conceived notion and one that certainly wants more thinking. The Administration should not divert the program from its original goal. It would be a great mistake to confuse the good deeds of Boy Scouts or the work of the depression-born Civilian Conservation Corps with the job that must be done abroad.

## The 'Placebo Program'

Though unemployment in February hit a post-war high of 5.7-million, the Administration's economic advisers in open hearings before the Joint Economic Committee (page 32) have made clear their view that the bottom of this recession has just about been reached. They expect the economy to turn up before the middle of the year.

With that expectation they continue to justify the very limited anti-recession measures that the Administration has called for. These measures constitute a program so mild that Prof. Paul Samuelson, one of Pres. Kennedy's closest, "unofficial" advisers, called it "a placebo program for recovery"—a program that has depended on making the patient feel better without actually doing anything for him. "The degree of moderation involved in programs so far proposed," says Samuelson, "has perhaps not yet been fully realized."

Such a mild psychological anti-recession program comes strangely from a new Administration that blasted its predecessor for underestimating the seriousness of the recession and for failing to take aggressive steps to stop the downswing of business. What it amounts to is a gamble that the economy soon will turn up spontaneously. It also involves the use of fiscal policies that may cause difficulties in the future. Real stimulation has been lacking when the economy needed it most, and extra stimulation, resulting from a speed-up of government spending, may come at a time when inflationary dangers are greater.

Obviously, we must all hope that the Administration wins its gamble. But it should be prepared to move fast and effectively if the next few weeks demonstrate that it is not winning, that conditions are worsening rather than improving. In that case, Kennedy will have to lose no time in asking Congress for action on what the Administration already has described as its second line of defense—a temporary reduction in personal income taxes.



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